

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2008-2011)**

ONE HUNDRED AND TWENTY FIRST REPORT

(Presented on 20th July, 2010)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2010

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On

**Paragraphs relating to General Education Department contained in the
Reports of the Comptroller and Auditor General of India for the
year(s) ended 31 March 2004 (Civil), 31 March 2005
(Civil) and 31 March 2006 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the One Hundred and Twenty First Report on paragraphs relating to General Education Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 2004 (Civil), 31 March 2005 (Civil) and 31 March 2006 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31 March 2004 (Civil), 31 March 2005 (Civil) and 31 March 2006 (Civil) were laid on the Table of the House on 20 July, 2005, 16 February, 2006 and 28 December 2006 respectively.

The Committee considered and finalised this Report at the meeting held on 23 June, 2010.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
20 July 2010.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT

GENERAL EDUCATION DEPARTMENT

AUDIT PARAGRAPH

Idle investment on buildings

Four staff quarters and one students' hostel costing Rs 58.29 lakh remained unoccupied for over four years.

Under centrally sponsored scheme of Teacher Education, Public Works Department constructed (September 1998) one students' hostel and four staff quarters for the District Institute for Education and Training (DIET) Kottarakkara at a cost of Rs. 58.29 lakh. The buildings were handed over (October 1999) to the Principal, DIET, Kottarakkara without providing electric connection. The Principal remitted Rs. 0.10 lakh to the Kerala State Electricity Board in March 2002 for electric connection.

Though electric connection was provided (June 2002) to one of the four quarters this was not occupied as its toilets, doors, etc., were damaged. Electric connection could not be provided to the remaining three quarters and hostel building as the wiring/fittings had been damaged by antisocial elements. Thus the quarters and hostel constructed at a cost of Rs. 58.29 lakh remained unoccupied for over four years as of March 2004.

The matter was referred to Government in April 2004; reply has not been received (November 2004).

[Paragraph 4.5.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

1. Regarding the audit paragraph the Committee understood that due to the delay in getting, Ownership Certificate from the Panchayat there occurred delay of nearly four years in getting electric connection to the hostel building and four staff quarters constructed for DIET, Kottarakkara. The Committee enquired whether the school authorities had contacted the Panchayat Officials for getting Ownership Certificate. The Committee pointed out that if the school authorities had contacted the Panchayat Secretary or the Panchayat President or had given written complaint to the Panchayat Deputy Director in time, the delay could have been avoided. The Committee desired to know whether the school authorities had done anything in this regard. In reply to this query, the

Additional Secretary, General Education Department who attended the meeting on behalf of the Secretary, General Education Department didn't have any satisfactory answer and he seemed to be unaware of such details. When the Committee repeated the question, the Additional Secretary stated that he was not in a position to furnish the desired details which could be furnished only after collecting the same. The Committee directed him to submit the details within a week.

2. The Committee noticed that in the audit paragraph it was mentioned that out of the four buildings electrical works were carried out only in the main building. But as per the reply furnished by the Department it was stated that the buildings were handed over to the General Education Department by Public Works Department after doing electrical works. But electrical connection could not be provided as the electrical wiring/fitting were looted or damaged by antisocial elements. No damages were recorded during the time of handing over of the building. The Committee asked whether all the buildings were electrified during the time of handing over to the General Education Department. The Additional Secretary could not answer this question. He stated that he knew only answers for the questions relating to the facts mentioned in the file. He explained that as per the details in the file the buildings were handed over in the year 2002 after completion of electrical works.

3. To the repeated query of the Committee as to whether electrification of all the buildings were carried out at the time of the handing over, the witness revealed that all the buildings were electrified at that time. He also stated that electrification was damaged at the time of the handing over itself. To this the Committee opined that general principle is that the buildings should be taken over only after getting the damages rectified. The Committee desired to know the steps taken by the school authorities for rectifying the damages. The Committee reminded the witness that it was the duty of the Department to look whether there was any damages at the time of handing over and that the Officer who had taken over the building was liable to demand rectification of the damage otherwise the liability would come on that officer.

4. The Additional Secretary informed that the main reason for the damage was that there was no watchman to take care of the new building. The Committee enquired about the latest position of the electric connection of the building and the witness replied that as per the details in the file it was revealed that all the buildings were provided with electrical connection by the year 2004.

5. The Committee was of the opinion that no additional watchman was needed for the new hostel building as the new building was situated only 400

meter away from the Administrative Block and the watchman posted there could guard the new building also. The Committee enquired whether the Principal or any other officials of the school had visited the site. In reply to this the witness informed that the Principal was residing in that campus itself. The Committee again enquired whether the campus had any compound wall. The Additional Secretary didn't have any answer regarding this.

6. The Committee observed that the officials present before the Committee were unaware of the importance of the Committee as well as the Comptroller and Auditor General's Report and asked whether the Secretary, General Education Department had conducted any meeting with the officials of the Department regarding the audit objection under consideration.

7. Two Additional Secretaries, General Education Department were present on behalf of the Secretary. While the first one replied that he didn't have the charge of the concerned section, the second one submitted that the Secretary had not authorised anybody to attend the Committee's meeting but he attended the meeting merely because of the fact that absence of the representative from the department might be a dishonour to the Committee. Breaking this contention, the Committee read the letter forwarded by the Secretary in which it was clearly stated that Shri P. C. Sanal Kumar, Additional Secretary was authorised to attend the meeting.

8. The Committee became outraged at this indifferent attitude on the part of the Department officials and asked whether they knew anything about the audit objection. The Additional Secretary informed that as per the information available from DIET all the quarters were already occupied. He explained that Quarter No. 1 was occupied w.e.f. 1-4-2005. Quarter No. 2 w.e.f. 1-12-2004 and Quarter No. 3 from 1-6-2005. The Last Grade Servants' Quarters were also occupied and that electric connection had been provided to all the Quarters. He submitted that 12 students were residing in the hostel building for the time being and that temporary electric connection was provided to the hostel building.

9. The Committee desired to know the number of students that could be accommodated in the hostel and asked whether anyone was residing in the Last Grade Servants staff quarters. The Additional Secretary, General Education Department informed the Committee that the quarters are occupied. The Senior Finance Officer, Office of the DPI informed that 16 students are staying in the hostel and being vacation the student strength is less. The Senior Finance Officer also informed that the Principal of the school had informed him that the hostel building was in a pathetic condition and funds were needed for renovating the existing building. He also informed that about 40 students could be accommodated in that building.

10. Expressing serious concern over the state of affairs, the Committee desired to be furnished with the details regarding the details of correspondences made with the Electricity Board for getting electric connection, steps taken up with the Panchayat Department for getting Ownership Certificate and the report of the police case in respect of theft of electrical wiring etc. The DPI (In-charge) agreed to furnish the said details within one week. The Committee felt it as very disturbing that none of the officers present had seen the above said building.

Conclusion/Recommendation

11. **The Committee is very much disappointed at the fact that the witnesses who were present during the examination of Audit Paragraph were totally unaware of the facts relating to the audit objection under consideration. The Committee cannot accept this indifferent attitude of the department officials and views it as an unpardonable insult to them. The Committee is also displeased to note that none of the officers present for the meeting had seen the hostel building and staff quarters constructed for DIET, Kottarakkara even though the Committee desired to examine the Audit Paragraph. The Committee regrets to note that though the witness has stated that a detailed report regarding the correspondences made with the Electricity Board for getting electric connection, steps taken for getting ownership certificate from Panchayat and the position of the Police Case involved in the matter etc., will be made available within a week. The desired details are yet to be furnished to the Committee. Therefore it is suggested that the report in this connection must be furnished without any delay.**

AUDIT PARAGRAPH

Inordinate delay in completion of an international swimming pool complex

Failure of Kerala Sports Council to ensure completion of an ambitious project even after four years of its targeted date of completion despite spending an amount of Rs 1.80 crore deprived the athletes of the facility of an international swimming pool.

Kerala Sports Council decided (September 1998) to construct an International swimming pool complex at Pirappancode in Thiruvananthapuram District. Government sanctioned (February 1999) the transfer of 93 cents of Panchayat land with the existing swimming pool to the Council for the purpose. The Council also purchased (April 2000) 115.4 cents of adjacent land at a cost of Rs. 11.54 lakh. Scrutiny (August 2004) of the records of the Council revealed the following.

The pile foundation work entrusted (February 2000) to a contractor was completed (September 2000) at a cost of Rs. 43.97 lakh. The second phase of construction of 'diving pool, racing pool, dormitory, galleries', etc., was awarded (April 2000) to a Central Public Sector Undertaking* (Undertaking), for an agreed contract amount of Rs. 3.61 crore to be completed within nine months which was extended upto May 2002. After completing 60 per cent of the work, the Undertaking stopped the work in April 2001 on the ground of delayed payments of their part bills.

Though adequate budgetary support was available, the Council failed to make timely payment of the claims reportedly due to treasury restrictions. As the Undertaking did not resume the work, the Council terminated the contract in May 2003. The total amount paid to the Undertaking was Rs. 1.19 crore. The council had also incurred an expenditure of Rs. 5.78 lakh towards consultancy charges. The remaining works were rearranged only in February 2005 for an agreed contract amount of Rs. 2.97 crore to be completed within six months. But these had not been completed as of August 2005 even after the expiry of the date of completion.

The following points were noticed in audit that:

- the Council failed to convince the Government of the need for relaxation of treasury restrictions to make payments on the project, the work on which was progressing well:
- though the work was at a standstill since April 2001, the contract was terminated only in May 2003:
- after termination of the contract in May 2003, the work was rearranged only in February 2005, after a lapse of about two years;
- the delay in arranging the work as well as time overrun in completion of the work resulted in an extra financial commitment of Rs. 55 lakh: and
- as the work was at a standstill from April 2001 the unfinished structures were exposed to the vagaries of weather without any protection for the last four years thus causing damage to the structures.

Thus, the failure of the Council to ensure timely payment of the claims led to the abandonment of work by the contractor. Further, the delay in terminating the contract and rearranging the work resulted in non-completion of the project

* M/s Hindustan Steel works Construction Limited.

even after four years of its targeted date of completion after incurring an expenditure of Rs. 1.80 crore, depriving the swimmers of the facility of an International swimming pool.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

[Paragraph 4.4.2 contained in the Report for the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

12. From the audit paragraph, the Committee understood that even though there was budgetary support, the Kerala Sports Council failed to proceed with the work of swimming pool due to the lapse in timely payments to the contractor due to treasury restrictions. The Committee asked whether the Department had taken any steps to get the treasury ban relaxed. The Deputy Secretary, Sports & Youth Affairs Department informed that there existed no records of any step taken in this matter. The Committee urged the Department to furnish all the details regarding the steps taken by the Department for getting relaxation in the treasury ban, and if the Department had not taken any steps towards this, the reason thereof to the Committee within a week. The Committee also wanted to be furnished with the details regarding the delay of 2 years on the part of Department for cancelling the work.

[The Department furnished a Report on 9-6-2008 which is included as Appendix III].

13. The Deputy Secretary, Sports and Youth Affairs Department stated that as per the report of the Sports Council, the first contractor had not furnished the details of payment to be made to them and that a new contractor could be appointed only after settling the payments of the first contractor.

14. Hearing this contention the Committee pointed out that the department had got enough time (i.e., 2 years) for settling the payment. The Committee suggested that if the responsibility for the non-completion of the work was fixed on the contractor, then he would definitely complete the work. The Committee further pointed out that as per the circular issued by the Government in this regard the responsibility for the work was vested on the contractor concerned and the liability for the loss should be fixed against him.

15. The Committee opined that in this particular case there was no justification for the fact that the work was rearranged after a lapse of about 2 years from the date of termination of the first contract. The Committee viewed this as part of a conspiracy for indirectly helping the contractor. The Committee observed that the Hon'ble High Court has issued a ruling that a work should be re-tendered within one year of cancellation to rearrange the work at risk and cost and expressed the doubt that the delay in rearranging was to overcome this.

16. The Committee wanted to know the latest position regarding the case and asked whether the construction of the swimming pool had been completed. The Deputy Secretary stated that the work had been completed. The construction of the retaining wall and the western gallery was completed. It was decided to restart the work on 31-8-2008.

17. The Committee then enquired the actual expense incurred on the project. To this the Deputy Secretary did not have any satisfactory answer. The Committee then urged the department to furnish the details regarding this. The witness agreed.

[The Department furnished a Report on 9-6-2008 which is included as Appendix III].

Conclusion/Recommendation

18. Regarding the construction of the international swimming pool complex at Pirappancode, Thiruvananthapuram the Committee opines that the responsibility for the work was vested with the contractor firm and so the department should have fixed liability against it for the loss incurred to Government instead of allowing two years to them for deciding whether the work should be continued or not and of settling the matter without effecting risk and cost. The Committee further notes that in this case the work was rearranged after a lapse of two years from the date of termination of the contract. The Committee views this as part of a conspiracy for indirectly helping the contractor and that it was purposeful for overriding Court's ruling.

AUDIT PARAGRAPH

Irregularities in cash management

Advances amounting to Rs. 3.65 crore disbursed during 1998-2005 remained unsettled as of March 2005 due to the failure of SCERT to adhere to financial rules and enforce financial discipline.

The State Council of Educational Research and Training (SCERT) is an autonomous body set up by the State Government to provide academic research, extension and training support in the field of school education in the State. The funds of SCERT consist mainly of grants from the State Government. Scrutiny of the records of the Council for the period 2000-05 revealed non-adherence to the financial rules and procedures, mismanagement of cash, non-adjustment of advances even after years of sanction etc., as detailed below.

SCERT had been implementing various programmes by disbursing the amounts in lump to the Project Co-ordinators and Implementing Officials as temporary advances. Financial rules and orders issued by the Government stipulate that advances paid should be settled within a reasonable time and in cases where unutilised amounts had not been surrendered or adjustment bills not submitted in time, the entire amount of advance with interest was recoverable from the recipients of such advances.

As of 31 March 2005, temporary advances totalling Rs. 3.65 crore paid in 291 cases between April 1998 and March 2005 were outstanding for settlement. This included Rs. 53.88 lakh in 108 cases advanced to 13 officials, who had either been relieved on completion of the term of deputation or retired from service and Rs. 1.92 crore in 96 cases pending for more than three years. It was noticed that advances were paid to the same officials repeatedly without settling the earlier advances. Advances retained by the relieved and retired officials included Rs. 28.93 lakh disbursed to two clerks on 59 occasions between October 2002 and October 2004. SCERT did not take any effective action to settle the advances resulting in the retention of huge unspent balances with the officials for years together leaving scope for misappropriation.

Financial rules also provide that no money is to be drawn unless it is required for immediate disbursement. The limit of daily cash balance that could be held in the cash chest was not fixed by SCERT. The balance of cash held in hand during 2003-04 ranged from Rs. 4.43 lakh to Rs. 26.88 lakh. The physical verification of cash was not done by any responsible officer at any time. Retention of huge cash balance in the cash chest and failure to conduct physical verification of cash by officers were indicative of gross financial indiscipline and were fraught with the risk of embezzlement and/or misappropriation of cash.

Rules of SCERT provide that annual accounts should be prepared by them. However, the accounts were got prepared by the Chartered Accountants and that too up to 2002-03; audit of the accounts was completed only up to 2001-02. As per the report of the auditors, there was a shortage of cash of Rs. 11.97 lakh between the treasury pass book figures and the balance in the bank accounts as

on 31 March 2002. No action was taken by the Council to reconcile the shortage even as of March 2005.

Government also failed to exercise proper control over the finances of the Council. While releasing grants to the Council, the Government did not make any realistic assessment of the requirement vis-a-vis the unutilized portion of grant available with the Council. During 2003-04, the Government released grants aggregating Rs. 2.85 crore when there was an unutilised balance of Rs. 5.62 crore with the Council. This led to the retention of large balance with the Council giving scope for financial indiscipline.

Thus, failure of SCERT to adhere to the financial rules and procedures resulted in non-adjustment of advances of Rs. 3.65 crore disbursed during 1998-2005 and mismanagement of cash. Therefore, it is suggested that the Government and the Council may evolve suitable internal control, mechanism to ensure adherence to financial rules and procedures and take urgent action to settle the outstanding advances without any delay.

The matter was referred to the Government in July 2005; reply had not been received (September 2005).

[Paragraph 4.6.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

19. Regarding the audit objection on non-settlement of temporary advance of Rs. 3.65 crore disbursed during 1998-2005, the Committee enquired whether there existed any rule regarding the time limit for regularising the temporary advances disbursed to the officials. The Director, SCERT stated that there were rule regarding this. He submitted before the Committee that the cases mentioned in the audit paragraph related to older periods, and at that time auditing was not being done properly. He explained that currently settlement of account was properly conducted and that steps were taken for rectifying the defects occurred earlier. He brought to the notice of the Committee the fact that no advance made since May 2007 was pending settlement.

20. The Committee desired to know whether SCERT had separate financial rules. The Director stated that they were following the existing government rules. He clarified that out of Rs. 3.6 crore, Rs.1.66 crore had been audited and steps were taken to solve the issue and out of the remaining Rs.1.89 crore Rs.53,88,000 (53.88 lakh) advanced to 13 officials was to be settled. The Committee was not at all satisfied with the reply and pointed out

that the witness was unnecessarily repeating the facts mentioned in the audit paragraph. When specifically enquired about the action taken against the 13 defaulters involved in Rs. 53.88 lakh the Director informed that they had taken steps by locating the erring officials by means of auditing. When the Committee repeatedly asked about the steps taken by the department regarding this, the witness informed that the department had called them for settling the accounts by issuing letters.

21. The Committee desired to know the details such as the date of issue of letter, the amount settled and the latest position in the matter. The Director answered that the defaulters were expected to settle accounts.

22. The Committee enquired the exact date of issue of letter issued and also asked whether the department had demanded the erring officials to remit the amount with interest and if so, the amount of interest collected. The witness did not have any satisfactory answer to the questions asked by the Committee and he stated that existing rate of interest was levied for the amount. He clarified that out of the 13 officials, notice had been issued to 8 officials and for the remaining ones auditing was progressing. Hearing this the Committee asked the relevance of another auditing above the Comptroller and Auditor General's audit objection. The Director, SCERT informed that they could fix liability only after getting the receipts of expenditure of the programme conducted. The Committee pointed out that the only thing that the department had to do on the basis of the Comptroller and Auditor General's Report was to issue notice against the erring officials for remitting the amount with interest. The Committee asked whether the department had issued such a notice. To this the witness answered in the negative.

23. The Committee then enquired whether SCERT had the post of Finance Officer and the Director replied in the affirmative. Commenting that it was the duty of the Finance Officer to rectify these irregularities, the Committee enquired whether SCERT was following the existing government rules and if so the time limit prescribed for settling accounts. The Finance Officer informed that the rule specified 3 months for settling the accounts. The Director added that the department had formulated a new system by which it was instructed to settle the accounts within a week after the completion of the programme. Then the Committee enquired whether all officials are following the new direction and the Director, SCERT answered in the affirmative. The Committee then asked whether the department had taken any steps to recover the liabilities of retired officers. The Director, SCERT informed that the department had decided to take action after examining the case once again. The Committee was annoyed on hearing this and lamented the futility in examining the case after the presentation

of the Comptroller and Auditor General's Report and asked whether the department accepted the Comptroller and Auditor General's report or not.

24. The Committee also pointed out that the officials involved in the case had retired from service after the presentation of the Comptroller and Auditor General's Report. Even though the case was mentioned in the Report their liability was not fixed. Non-liability Certificates were issued to them along with disbursement of all retirement benefits and the Committee viewed this as a criminal action. The Committee further asked about the number of officers who had retired from service after May 2007 in which month the Director took office and how many of them were given N.L.C.

25. The Director, SCERT informed that during the previous month two officers retired from service but their Non-liability Certificates were not issued. He also stated that the department had cleared 8 cases having backlogs by conducting internal audit. The Committee felt very much annoyed by the repeated statement of the Director on conducting internal audit and reminded that there could not be any audit on an observation included in the final report of the Comptroller and Auditor General other than taking action on that audit observation. Internal audit should have been done before the presentation of the final report.

26. The Committee then asked why the Internal Audit Wing of the department was not functioning well. The Director informed that currently the audit wing was working properly. He also informed that auditing for the year 2006-07 was going on.

27. When the Committee pointed out that the department had no right to conduct internal audit on C&AG's Report other than rectify the defects mentioned in the audit paragraph the Director stated that the department was conducting internal audit for preparing a systematic data for taking timely action. The Committee reminded the witness that he was bound to take action as he was the responsible officer. The witness assured the Committee that he would take action on the basis of the audit paragraph.

28. The Committee understood that during 2003-04 an amount ranging from Rs. 4.43 lakh to Rs. 26.88 lakh was kept in hand as against financial rules. The Committee enquired the reason as to why such a huge amount was kept in hand and asked whether there existed any rule regarding this. The Director informed that he was unaware of the details regarding the amount to be kept in hand. He clarified that they were not keeping too much amount with them.

29. The Committee was dissatisfied over the answer rendered by the witness and opined that every institution had certain rules regarding financial

responsibilities. The Director stated that he did not know anything regarding this. The Committee desired to know the designation of the officer responsible for checking cash in hand and asked whether there was any system regarding this. The Director stated that the Administrative Officer was responsible for checking cash balance.

30. The Committee urged the department to furnish a detailed report regarding the system adopted for cash management within a week. If there wasn't any system then the Committee would recommend for introducing a new system for cash management. The Committee noted that there was no responsible officer in SCERT for the physical verification of the cash. The Committee asked whether they were conducting any physical verification. The Director stated that it was being done once in a year. But the Committee suggested that it should be done once in every month.

31. The Committee enquired the steps taken by the department for reconciling the shortage of cash amounting to Rs.11.97 lakh and desired to know the latest position regarding the case. The Director explained that SCERT had entrusted a Chartered Accountant for verifying the accounts, and the final result was awaited.

32. The Committee understood that during the year 2003-04 the Government released grants amounting to Rs.2.85 crore when there was an unutilised balance of Rs.5.62 crore. The Committee enquired about the latest position of the case and asked about the outstanding cash balance. The Committee also opined that no one was made responsible for checking all such details. The Committee enquired the stand of the Finance Department in this regard. The Additional Secretary, Finance Department informed that the Finance Department was giving only Token provision in the Non-plan head on the basis of such irregularities noted during the previous year. He further informed that SCERT had no Finance Officer since the Officer held that post was called back as per the instruction of the Minister for Education.

33. Regarding the non-adherence of SCERT to the financial rules and procedures the Committee asked whether the department had done anything for the adjustment of advances or for evolving suitable internal control mechanism as per the recommendation of Audit. The Director, SCERT answered contradictorily. The Committee desired to know the details of the audited accounts of SCERT and the Director agreed to furnish it after verification.

Conclusions/Recommendations

34. The Committee is displeased on the vague answers rendered by the Director regarding the audit objection. The Committee strongly

condemns this irresponsible attitude and views this as utter ignorance which cannot be excused at any cost. The Committee finds that the department had issued N.L.C. and had disbursed retirement benefits to those officials involved in the case even after the presentation of the Comptroller and Auditor General's Report and view this as a criminal offence. The Committee also wants the Department to take strict action against the delinquents and intimate the same to them. The Committee regrets to note that the Internal Audit Wing of the Department is not functioning well.

35. The Committee finds that the department has no proper system for cash management. During the examination of audit paragraph the Committee directed the officials to submit a detailed report on the system adopted for cash management in the SCERT. But it is yet to be submitted. The Committee sees this as a dishonour. If there is no proper system, the Committee recommends for the setting up of a system for this purpose. The Committee also notes that in SCERT there isn't any officer for conducting physical verification of cash. Therefore, the Committee suggests that the department should conduct physical verification of cash once in every month instead of once in a year and that a responsible officer must be vested with the responsibility of conducting physical verification of cash. The Committee urges the officials to strictly adhere to the directions of the Department and the codal provisions in cash management.

36. The Committee suggests to furnish a detailed report on the audited accounts of SCERT without any delay.

AUDIT PARAGRAPH

Functioning of Text Books Office

Introduction

The Text Books Office (TBO) is a commercial establishment functioning under the control of the Text Books Officer. The main activity of the Text Books Office (TBO) is procurement of printing paper and pulp board required for printing of text books of Standard I to X through the Controller of Stationery (CS). Printing of text books through the Government presses and other agencies, manufacture of note books under work experience programme and distribution of text books are also the responsibility of Text Books Office.

Director of Public Instruction (DPI) exercises overall supervision and control over the TBO which comes under the administrative control of General Education Department of the Government. There are three Central Text Book Stores (CTBS) one each at Thiruvananthapuram, Ernakulam and Shoranur and 34 District Text Book Depots (DTBD) situated in 14 Districts.

Mention was made in paragraph 6.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Civil) about the shortcomings/irregularities in the working of the TBO. The Public Accounts Committee (PAC) discussed the paragraph and included its recommendations in the fifty-third Report (August 2003). A further review conducted during February-May 2006 covering the period 2001-02 to 2005-06 with reference to the records in the office of the Controller of Stationery, the TBO and CTBS revealed that there was no improvement in the functioning of the TBO as discussed in the succeeding paragraphs.

Non-preparation of pro forma accounts

The failure of the TBO to prepare the *pro forma* accounts from 1987-88 was severely criticised by the PAC and suggested that the backlog in preparation of *pro forma* accounts should be cleared and made up-to-date by streamlining the accounting system in the TBO, so as to assess the financial position of the working of TBO. It was noticed that preparation of *pro forma* accounts was still in arrears from 1987-88. Finance Department entrusted (March 2005) the work of preparation of *pro forma* accounts up to 2003-04 to the Institute of Public Auditors of India (IPAI).

Receipt and expenditure

During the period 2000-05, as against the total receipts of Rs. 88 crore, expenditure incurred was Rs. 123.30 crore leaving a revenue gap of Rs. 35.30 crore. The reason for increased expenditure was attributed (May 2006) by the TBO to sale of books free of cost to all students in Standard I, girl students and SC/ST students of Standard II to VIII under Sarva Shiksha Abhiyan (SSA) Scheme, delay in remittance of sales realisation due, printed text books becoming obsolete, etc. The reply is not tenable as the cost of books distribution under SSA scheme was to be reimbursed in the same year and sale value of books sold ought to be remitted and accounted for in the same year. As the Sales accounts were not being prepared by the TBO, the break-up of amounts of reimbursement and sales realisation was not available.

The PAC while discussing the paragraph 6.2 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 1998 recommended that the General Education Department should take up with Government to set right the revenue gap and to streamline a better system of fixing price of text books so as to match the cost of printing and to avoid such heavy loss in future. The revenue gap had, however, continued in all the years.

Procurement

Loss due to failure to deduct liquidated damages for delayed supplies

At the beginning of each academic year, the TBO was to assess the requirement of text books for the next academic year and obtain administrative sanction from the Government for procurement of printing materials. On the basis of administrative sanction, the CS used to place supply order for the procurement of printing materials. The agreement executed by the CS with the supplier contained a clause on liquidated damages at 0.50 per cent of delivered price of delayed stores for each week subject to a maximum of 10 per cent, recoverable from the suppliers. TBO was endorsed with a copy of supply order alone which did not contain any reference as to deductibility of liquidated damages in case of delayed supplies and copies of agreement were kept with the CS.

A scrutiny of the records on purchase of materials revealed that out of 30 supply orders placed from 2001-02 to 2005-06 for printing paper and pulp board, supplies in respect of only 6 orders were made in time. In respect of the 24 belated supplies (delay ranging from 14 days to 466 days) failure to invoke liquidated damages clause had resulted in non-recovery of Rs 1.94* crore.

Non-recovery of excess expenditure on retendering of unexecuted portion of supply order

Administrative sanction was accorded (July 2000) for purchase of 3500 MT of white printing paper reels for printing text books for the year 2001-02. The unanimous decision of the Departmental Purchase Committee (DPC) for purchase of 1000 MT at Rs. 25665.47 per MT under DGS & D rate contract and 2500 MT at Rs. 27133.60 per MT net (arrived in tender) from the same supplier, M/s. Delta Paper Mills, Andhra Pradesh was approved by the Government in December 2000.

* Year	Total No. of orders	Orders where supplies were belated	Amount (Rs. in lakh)
2001-02	5	4	59.33
2002-03	4	4	51.13
2003-04	7	6	30.80
2004-05	8	6	33.61
2005-06	6	4	18.76
Total	30	24	193.63

Against the supply order (22 December 2000) for 1000 MT, the firm supplied a total quantity of 101.16 MT by 06 January 2001 and no supplies were made thereafter against the order which was to be completed by 22 February 2001 though full payment was made in April 2001 towards the Quantity delivered. The supplier started supplies against the order (08 January 2001) for 2500 MT at higher rate and supplied 311.839 MT during 19 January 2001 to 2 February 2001. In the meeting (January 2002) of the DPC it was unanimously decided that the unexecuted portion of 898.84 MT as per DGS&D rate contract be cancelled as the financial condition of the supplier was poor. The cancellation of the unexecuted portion of supply order was intimated to the supplier on 3 April 2002 and by the time a total supply of 875.761 MT was made against the second order.

Audit noticed that the supplier was making supply against higher rate contract during January 2001 to April 2002 and neither the TBO nor the CS appropriated the supply against the first order, which was economical for the Government, resulting in a avoidable excess payment of Rs. 13.20 lakh*.

Against the second order, the supplier had supplied only 1011.2074 MT by 14 May 2002 which had delayed the printing and distribution of text books during 2001-02. Based on the recommendation (January 2004) of the DPC, Higher Education Department cancelled (October 2004) the unexecuted portion of 1488.212# MT of the supply order.

It was noticed that the Government accorded (October 2001) sanction for purchase of 1900 MT of white printing paper reel for printing text books for 2002-03. As the estimation of requirement was made on the basis of the stock available with the TBO and as there was a shortfall in supply by 2387.6326MT in the previous order, this could have been just an extension of supply order for meeting the requirement of quantities short supplied in previous order and thus the clause of cancellation of supply order at the risk and cost of M/s. Delta Paper Mills, which was incorporated in their contract, should have been invoked. The order for supply of 1900MT white printing paper reels was placed (April 2002) with M/s. Shreyans Industries, New Delhi at Rs. 28950 per MT at DGS&D rate against which 1867.162MT were supplied as of 21 March 2003. The higher rate of Rs. 1816.40\$ per MT, which was recoverable from Delta Paper Mills, was not recovered resulting in loss to the extent of Rs. 33.92 lakh.

* 898.84 MT x Rs. 1468.13 MT (27133.60-25665.47).

Difference of 0.5806MT between quantity supplied and unexecuted portion had not been reconciled.

\$ 28950-27133.60 = 1816.40.

Loss on emergency purchase of paper

As per the schedule of action, administrative sanction for purchase of paper for 2005-06 was to be obtained before 30 January 2004. To meet the requirement of paper for the year 2005-06, it was assessed that 5500MT of white printing paper was required for which administrative sanction was obtained in June 2004 only. To avoid delay in printing, it was decided to make emergency purchase of 1500 MT on DGS&D rate and balance 4000MT as per Stores Purchase Rules. The supply order for 1500 MT was placed on M/s. Delta Paper Mills Limited, Andhra Pradesh on 4 August 2004 at Rs. 26298 plus freight charges of Rs. 1026 per MT on the condition that the supply should be completed within 45 days. The supply was completed by 4 October 2004, after a delay of 15 days. The balance quantity of 4000 MT was tendered and the price was fixed (2 November 2004) at Rs. 23,250 per MT (inclusive of freight) with M/s. Vishnupriya Paper Mills Limited, Chennai to be supplied within three months out of which 3817MT was supplied by May 2005. Had the whole quantity been purchased from M/s. Vishnupriya Paper Mills Limited by starting the purchase procedure earlier as was initiated in case of Delta Paper Mills Limited, the TBO could have saved, an amount of Rs 61.11 lakh being the excess expenditure on 1500MT.

Excess Consumption/Wastage*Excess consumption of white printing paper and pulp board by presses*

The specification of printing paper used for printing the text books of primary classes (Standard I to IV) was 60 Grams per Square Metre (GSM), 76cm. width Maplitho paper reels and that of white pulp board sheet used for covering the text book was 200 GSM of 57 cm. long and 78 cm. breadth siz. The specification of printing paper used for upper primary/high school classes (Standard V to X) was 60 GMS 60 cm. or 86 cm. width paper reels and that of white pulp board sheet was 180 GSM 61 by 90 size for covering the text book. The printing was done in a form consisting of 16 pages (2 sides of 8 pages each). The standard dimension of text book of primary class was in the six of 18.5 cm. width and 26.5 cm. length and weighed 23.53 grams per forme and that of upper primary and high schools class was in the size of 21 cm. width and 28.5cm. length and weighed 28.73 grams per forme. The wastage allowance was 8 per cent for Kerala Books and Publications Society (KBPS) and 2 per cent for private and other presses as allowed by the Government.

Audit scrutinised the quantity of printing paper and pulp board supplied to the KBPS with reference to the stock register maintained by TBO and complied standard weight of formes received as text books from paper account submitted by the KBPS for the period 2000-01 to 2004-05. It was observed in the scrutiny that KBPS had used printing paper and pulp board in excess of standard weight of text books plus wastage allowance valued at Rs 6.35 crore as detailed below:

<i>Details of material used</i>	<i>Usage claimed by KBPS</i>	<i>Standard usage plus wastage allowance of eight per cent</i>	<i>Excess usage</i>	<i>Excess usage to standard</i>	<i>value of excess usage</i>
	<i>(in MT)</i>	<i>(in MT)</i>	<i>(in MT)</i>	<i>in per cent</i>	<i>(Rs in lakh)</i>
White Printing Paper					
60 GSM 76cm. Maplitho	2759.35	2377.82	381.53	16.05	136.89
60 GSM 60 cm. /86cm.	17942.86	16137.75	1805.11	11.19	465.20
White Pulp board					
200 GSM 57 by 78cm.	404.11	312.25	91.86	29.42	24.48
180GSM 61 by 90 cm.	1946.75	1905.23	41.52	2.18	8.85
				Total	635.42

It was stated (April 2006) by the TBO that a technical committee had conducted the paper reconciliation. However, audit noticed that the reconciliation done by the technical committee could not detect the excess usage of printing materials and the department incurred a loss of Rs. 6.35 crore.

The paper for printing text books was supplied by the TBO to printers without scientifically analyzing the requirement. In the case of six private printers for 2004-05 and Kerala State Audio Visual and Reprographic Centre (KSAVRC) for the period upto 2004-05, the records of reconciliation of paper supplied and standard weight of paper used was made available to audit. On a scrutiny of the reconciliation statement prepared in respect of these printers it was noticed that the TBO had recovered only Rs. 4.20 lakh. The amount to be recovered from these printers for excess consumption of printing materials over

and above the standard plus normal wastage of 2 per cent was Rs. 1.41 crore* from six private printers and Rs. 66.29 lakh from KSAVRC as detailed below:

<i>Details of material used</i>	<i>Usage allowed lay TBO</i>	<i>Standard usage plus wastage allowance of two per cent</i>	<i>Excess usage</i>	<i>Excess usage to standard</i>	<i>Value of excess usage</i>	<i>Amount recovered by TBO</i>	<i>Usage allowed by TBO</i>
	(in MT)	(in MT)	(in MT)	in per cent		(Rs. in lakh)	
Private printers							
60 GSM 76cm. Maplitho	914.43	715.07	199.36	27.88	69.56	0.08	69.48
60 GSM 60 cm./86cm.	1389.17	1183.91	205.26	17.34	65.07	4.08	60.99
200 GSM 57 by 78 cm.	107.58	92.42	15.16	16.40	4.09	0.04	4.05
180 GSM 61 by 90 cm.	173.99	143.97	30.02	20.85	6.18	0	6.18
				Total	144.90	4.20	140.70
KSAVRC							
60 GSM 60/86cm	1323.67	1066.43	257.24	24.10	66.29	..	66.29
				Grant Total	211.19	4.20	206.99
<i>* Name of Private printer</i>						<i>Amount Due (Rs in lakh)</i>	
M/s. Coronation Art & Crafts, Sivakasi						39.99	
M/s Kottayam Printing Co-operative Society Ltd., Sivakasi						28.94	
M/s Royal Star Packaging (P)Ltd, Sivakasi						30.71	
M/s. Liberty Offset Printers, Kozhikode						11.07	
M/s KCAD Chidambaram Nadar & Co, Sivakasi						1.09	
M/s Reval Offset Printers, Sivakasi						29.10	
Total						140.90	

As there was wide variation in excess consumption of printing paper and pulp board, the correctness of the reconciliation of the printing materials carried out by the TBO was doubtful. Further closing stock of printing materials worth Rs. 1.58 crore lying with KSAVRC as of November 2005 was pending to be transferred to TBO (February 2006).

On scrutiny of details of printing materials supplied to Government Presses and private printers who were entrusted with the printing of text books it was noticed that no reconciliation of paper account was prepared during 2001-02 to 2004-05 resulting in non-raising of claim of Rs. 3.68 crore which included claim of Rs. 2.85 crore on 13 private printers and Rs. 82.77 lakh on Government presses as detailed below:

<i>Details of material used</i>	<i>Material issued by TBO</i>	<i>Standard usage plus wastage allowance of two per cent</i>	<i>Excess usage</i>	<i>Excess usage to standard</i>	<i>Value of excess usage</i>	
		<i>(in MT)</i>	<i>(in MT)</i>	<i>(in per cent)</i>	<i>Rs in lakh)</i>	
A. <i>Private Printers</i>	60/86 cm	3275.57	2504.09	771.48	30.8	218.02
	76 cm	989.88	807.46	182.42	22.6	64.31
	WPB	65.16	52.04	13.12	25.2	2.58
Total		4330.61	3363.59	967.02	28.7	284.91
B. <i>Govt. press and SCERT</i>	60/86 cm	735.61	392.54	343.07	87.40	82.77
					Total	367.68

Further, it was noticed that the printing paper valued at Rs. 64.23 lakh was issued (April 2002 to March 2005) to Government Presses at Kannur, Thiruvananthapuram and Ernakulam. However, no records were available to show the receipt of printed text books or return of the printing materials to TBO as of February 2006.

Loss in Printing of IT text books

Based on the decision of the Government and recommendations (July 2005) of the curriculum committee, it was decided to promote use of Linux in school classes in a phased manner by introducing Linux portion in Standard VIII from academic year 2005-06 and in Standard IX from academic year 2006-07. As the Information Technology books for Standard VIII had already been printed without incorporating the revised portion it was decided to print supplementary book for Standard VIII for the academic year 2005-06 and accordingly print orders for 4.86 lakh supplementary books were issued (August 2005) to KBPS. The supplementary books were received and distributed free of cost to students in November 2005 as per the decision of the Government. The Executive Director (ED), IT @ School Project intimated (October 2005) the TBO that it was decided to print the IT text books of VIII and IX standards for the academic year 2006-07 incorporating the revised portion in the original text books itself so that the printing of supplementary books can be avoided. By the time the above decision of the ED was intimated (December 2005) to KBPS, it had printed 4.82 lakh copies (Standard VIII: 2.31 lakh, Standard IX: 2.51 lakh) of IT books for academic year 2006-07 without incorporating revised portion based on the tentative print order issued (August 2005). To enable the distribution of the text books printed without incorporating revised portion it was decided by TBO to print 8,23,370 numbers of supplementary text books (3,47,300 for Standard VIII and 4,76,070 for Standard IX) which resulted in avoidable expenditure of Rs. 7.92 lakh (being the cost of cover and printing charges). Further the text books printed for Standard IX (during academic year 2006-07) without incorporating revised syllabus was in excess of the requirement by 1,02,800 numbers which could not be utilised during the next year, the cost of which worked out to Rs. 10.16 lakh. Thus the total avoidable loss on printing of IT books for academic year 2006-07 worked to Rs 18.08 lakh.

Loss due to printing of text books in excess

As a general practice the TBO had to collect the stock details from 34 DTBD and 3 CTBS before deciding the total number of books to be printed. However, the print orders for 34.66 lakh text books in 2002-03 and 68.25 lakh text books in 2003-04 were issued without collecting such details in respect of books for which the syllabus change was due in subsequent years as per Government order (September 2002) for the academic year 2003-04 (Standard I, II, III, IX) 2004-05 (Standard IV, V) and 2005-06 (Standard VI, VII).

Since the department had not made a realistic assessment of text books required after considering the balance in stock, there was an accumulated stock of 61.01 lakh* text books costing Rs. 6.19 crore which had become obsolete from 2003-04 and 2004-05. Even if an allowance of 10 per cent (6.10 lakh text books) is made towards reserve stock, the TBO has incurred an avoidable expenditure of Rs. 5.57 crore on printing of 54.91 lakh text books.

Thus, lapse on the part of the TBO in assessing the stock of text books for which syllabus change was due, before giving print orders resulted in wasteful expenditure of Rs. 5.57 crore.

Loss due to cancellation of change in syllabus for Standard VIII

Government notified (March 2001) the change of text books for Standard VIII in respect of 20 titles for the academic year 2001-02. Accordingly, the State Council for Educational Research and Training (SCERT), Thiruvananthapuram revised the text books and the Text Book Officers issued orders for printing 42.45 lakh books in 20 different titles to various private presses. In the meantime, syllabus change was cancelled (June 2001) and it was decided to continue the old syllabus. When the print orders issued to private presses were stopped they had completed printing of 6.40 lakh copies of text books, the cost of which worked out to Rs. 70 lakh. Decision to cancel syllabus change after the print orders were given to presses resulted in wasteful expenditure of Rs. 70 lakh on printing.

Other points

Loss on sale of obsolete text books due to short assessment in weight

TBO estimated the total number of obsolete books available in 3 CTBS and 34 DTBDs as 1,03,25,302 weighting 1480.81MT and invited (September 2005) tenders for disposing them. However, on an analysis in audit by comparing the standard weight of the obsolete text books with the total number of books as per the statement of books made available, it was observed that there should have been 1,07,69,534 obsolete books weighing 2354.24MT. Thus, there was a loss of Rs. 1.13 crore being the sale value of 873.43 MT of obsolete text books at Rs. 12.89 per kg.

Non-recovery of liability from store-keepers

TBO had not kept any register showing the liability fixed in respect of store-keepers for shortage of books found on physical verification. To an audit

* Standard I: 1.39 lakh, Standard II: 1.51 lakh, Standard III : 4.18 lakh, Standard IV 7.38 lakh Standard V : 12.43 lakh, Standard IX: 4.17 lakh, Standard X: 29.95 lakh.

query it was replied (April 2006) by TBO that Rs 83.03 lakh was pending recovery from 18 employees of which 12 had already retired. However, the liability fixed was not recovered from them. Year-wise details of pendency is detailed below:

<i>Year</i>	<i>Number of employees</i>	<i>Amount (Rs. in lakh)</i>
Prior to 2000	9	58.51
2000-01	1	3.02
2001-02	2	4.66
2002-03	5	16.77
2003-04	Nil	Nil
2004-05	1	0.07
Total	18	83.03

Loss due to non-implementation of work experience programme

Based on the decision of the General Education Department to continue the note book manufacturing as part of work experience programme, the Government accorded (March 1996) administrative sanction for the purchase of 750 MT of white paper at a cost of Rs. 2.63 crore. DPI expressed (November 1996) apprehension about the success of the scheme as the cost of note books manufactured under the scheme would be near to the cost in the open market and requested for the Government subsidy or permission to raise funds through advertisement. The proposal was, however, turned down (August 1997) by the Government. The CS purchased 750 MT of white paper between October 1997 and March 1998.

The schools were reluctant to take the paper due to lack of facilities or experienced teachers to implement the programme and only some schools partially implemented the programme by manufacturing a few books. Though it was stated that 353 MT of paper costing Rs. 1.24 crore was utilised for notebook manufacturing, no account of the total number of books manufactured, sold, balance and sales revenue credited to the Government accounts were made available. Lack of planning and the action of the Department to go ahead with the scheme disregarding the apprehension of DPI on the economic viability of the scheme resulted in huge stock of paper (397 MT) remaining unutilised at CTBS, Thiruvanthapuram and Shoranur even after a lapse of eight years. Though a proposal was made to utilise the paper by issuing it to the KBPS and the Government press it did not materialise due to quality deterioration and size difference. Thus, the expenditure of Rs. 2.63 became infructuous.

Lack of control over sale of text books

TBO is entrusted with the sale of text books through 34 DTBD to school co-operative societies which remit cash in treasury. The details of sale were not sent to the TBO by the DTBD and no compilation of the sales made, amount due, net amount realised and amount remitted in treasury were available with the TBO. Thus, the TBO was not exercising any control over sales and revenue and hence the amount unrealised/misappropriated stands undetected. This has to be viewed in the context of arrears in internal audit up to 10 years TBO was also not maintaining any account of the total number of books distributed free of cost every year to students of Standard I, and to all girl students and SC/ST students in Standard II to VIII under SSA scheme.

Internal Audit

Internal Audit of the Text Books Office was conducted by engaging one Junior Superintendent and four assistants. Though there are 34 DTBD and 3 CTBS to be audited annually, the internal audit was limited to checking of registers and books on the eve of retirement to assess the liability of storekeepers resulting in arrears in internal audit. PAC had recommended (August 2003) that a separate Internal Audit Wing should be constituted to clear the arrears. In the Action Taken Note, the Department stated that the Audit Wing of the Office of the DPI had been strengthened with the available staff so that the pendency could be minimised. It was noticed that Internal Audit was pending for over three years in 24 DTBD* and one CTBS# and for one to three years in nine DTBD@ and one CTBS\$ This indicated that the recommendations of the PAC were not acted upon

Conclusion

Review of the functioning of the Text Books Office revealed that there were deficiencies/shortcomings in all spheres of its activity. The pro forma accounts had not been prepared since 1987-88. During the period 2000-05, the TBO had incurred a revenue gap of Rs 35.30 crore. The sales account to text books had not been maintained by the TBO. Non-adherence to schedule of procurement of printing materials and non-compliance with the

* DTBD, Tirur, Kollam, Aluva, Thrissur, Muvattupuzha, Kozhikode, Kannur, Pathanamthitta, Attingal, Mavelikkara, Kattappana, Thiruvalla, Kanjirapally, Thodupuzha, Punalur, Neyyattinkara, Chavakkad, Palakkad, Vadakara, Kasaragod, Ottappalam, Kanhangad, Irinjalakuda and Malappuram.

CTBS, Thiruvananthapuram.

@ DTBD, Pala, Thiruvananthapuram, Kottarakkara, Thalassery, Cherthala, Kothamangalam, Kottayam, Ernakulam and Alappuzha.

\$ CTBS, Shoranur.

terms of supply order for obtaining timely supply of materials were noticed. Proper account of printing materials issued to printers, its usage and balance was not being prepared and reconciled annually so as to raise claims for recovery of excess usage. TBO sustained heavy loss due to under assessment of weight of obsolete books and non-recovery of value of shortage of books from store-keepers. Internal audit was in arrears for one to more than three years.

Recommendations

- **Backlog in preparation of pro forma accounts and sales accounts should be cleared on a war footing to enable the TBO to take timely decision in respect of pricing of text books, recovery against various schemes, amount advanced to outside agencies and to avoid the revenue gap.**
- **Strict adherence to schedule of procurement of printing materials and compliance with the term of supply order for getting timely supply of materials should be ensured.**
- **Paper account statement should be prepared annually and claims raised for recovering the value of excess consumption of printing materials.**
- **Internal audit should be made up-to-date and a system should be evolved to recover the liability fixed on store-keepers.**

The above points were referred to Government in July 2006; reply has not been received (August 2006).

[Paragraph 3.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

37. Regarding the audit paragraph relating to non-preparation of Pro forma accounts the Committee understood that the pro forma accounts of Text Book Office from 1987-88 was still pending to be prepared and opined that it was not only against the rule but a serious offence and that there was chances for misappropriation. The Committee pointed out that the Government had exempted preparation of pro forma accounts for the years from 1975-76 to 1986-87 as there was no proper records available with the Text Book Office. The Committee questioned the authority of Government to do such an illegal act and opined that this was against the rule. It was also observed that the Government had violated the Constitution and the Financial Code. The

Committee also noted that in addition to the already committed mistake, the Government was trying to exempt preparation of the accounts for the year from 1987-88 to 2002-03 . The Committee enquired whether the Text Book Office had sent letter to Government for settling the issue in the light of the instruction of the Accountant General. The Committee also asked about the latest position regarding this and desired to know the rule which empowered the Government to grant such an exemption. The Committee viewed this attitude of the Government as very unruly.

38. Towards the audit objection regarding receipt and expenditure the Additional Secretary, General Education Department informed that the Department had not arrived at any conclusion regarding this. He added that the previous meeting convened by the Secretary had also taken a stand for not granting exemption. The Committee decided to recommend to Government that no exemption should be granted in preparing Pro forma Accounts of Text Book Office from 1987-88 onwards.

39. Towards the audit objection regarding receipt and expenditure the Committee noticed that there occurred a revenue gap amounting to Rs. 35.30 crore. The Committee reminded the department that the Public Accounts Committee had earlier recommended for avoiding such a situation by either raising the price of books or to realise that amount by any other means. The Committee enquired whether the Department had done anything in the matter and desired to know the latest position regarding this as well as the revenue gap.

40. The Text Book Officer accepted the audit findings and submitted that the main reason for such a dilemma was the non-renewal of prices of text books in a periodical manner. It was informed that price of paper was increasing year after year. The TBO clarified that the department had subsequently increased the price of books with retrospective effect.

41. The Committee noted that a major portion of the pending amount was related to the books sold to Sarva Shiksha Abhiyan, a Central Scheme. The Committee asked whether the amount had been reconciled. To this the Text Book Officer informed that an amount of Rs. 4.98 crore was still pending to be realised. It was also revealed that actually 110% of the amount was to be paid (i.e.100% basic charge + 10% handling charge), but in majority of the cases payment was only between 90 to 100 per cent.

42. The Committee pointed out that the price of book sold under the Sarva Shiksha Abhiyan had to be paid in the same year itself and enquired whether the department had collected the amount to be recouped from Sarva

Shiksha Abhiyan in the running year. The Committee suggested that the department should collect that amount as it was to be recovered from Government of India.

43. The Text Book Officer brought to the notice of the Committee that out of the total amount of Rs. 50,82,55,249 an amount of Rs. 45,83,69,481 had been collected and Rs. 4,98,00,000 was still pending. She assured the Committee that they would expedite the action for the speedy recovery of the pending amount.

44. The Committee pointed out the Accountant General's observation that no details regarding the amount collected/pending were available with the Text Book Office. The department had no details regarding the books sold and the papers utilised. The Committee pointed out that the details available with the department was loaded with mistakes regarding the books to be utilised. The Committee urged the department to furnish all the details covering the latest position of the matter.

45. Regarding the non-recovery of liquidated damages for the belated supply which resulted in loss of Rs. 1.94 crore,. the Committee enquired as to why the department failed to claim liquidated damages from the supplier firms. To this, the Controller of Stationery (I/c) stated that supply order for printing paper was issued on the basis of a bilateral agreement between the supplier firm and the Government. She added that both the Government and the supplier were bound to obey the conditions in the agreement. She submitted that the main reason for such an impasse was that the supplier was not able to supply materials within the scheduled time due to delayed payment from the part of the Government. The Controller of Stationery also added that the Government had decided to extend the delivery period with the concurrence of Text Book Office since books were to be printed urgently.

46. The Committee asked why the department decided to extend the delivery period and enquired about the conditions/clause specified in the agreement regarding the payment. It was also enquired whether the supply was made as per the agreement and whether the agreement specified any conditions regarding recovery of liquidated damages. The Controller of Stationery replied that the agreement specified for payment within 15 days from the date of supply.

47. The Committee enquired whether the department had issued notice for claiming liquidated damages and whether the supplier had approached the department for the payment. The Committee also wanted to know whether the supplier had given any request regarding the same. While the Committee repeatedly asked whether the department had issued notice for liquidated damages, the Controller of Stationery (i/c) replied that they had issued notice only for supplying materials.

48. The Committee asserted that the department had to issue notice for liquidated damages for delayed supply. The Controller of Stationery(i/c) repeated the same answer that they had not issued notice for liquidated damages since there was delay on the part of the department in making payment.

49. The Committee asked why the department made delay in making payment as there was adequate budget provision for this purpose. The Committee pointed out that as per section 6 (A) of the agreement, payment should be made only after scrutiny of the bills. Nowhere in the agreement the time limit of 15 days for making payment was specified. The agreement stipulated that payment should have been made either by departmental cheques payable at Government treasuries or by cheques or draft payable at Reserve Bank of India, State Bank of India and State Bank of Travancore at any of their principal branches in India, or in case of supplies from abroad, by a draft or otherwise as may be agreed to.

50. While the Controller of Stationery read the conditions stipulated in the agreement the Committee found that nowhere in the agreement the time limit of 15 days was stipulated. As the supply order was part of the agreement, the former should have been issued only as per the conditions stipulated in the agreement. To this the Text Book Officer informed that payment was made from the Text Book Office. When the Committee repeated the same question as to why payment was delayed even though there was adequate budget provision, the Text Book Officer informed that delay occurred due to treasury restriction. She also informed that the situation had changed later and that the Government had issued an order on 25-11-2005 removing treasury ban on this item and currently payments were being made properly. The Committee at this juncture desired to know the opinion of Finance Department in this regard. The Additional Secretary, Finance Department disagreed with the statement of the Controller of Stationery. He submitted that normally payment was made after the supply of the materials. There were instances of non-acceptance of materials supplied due to lack of godown facility for storing the materials. During the previous year also the department had returned 1092 M.Ts of materials supplied to them by Hindustan Paper Co., which resulted in lapsing of Rs. 4 crore. He added that in this particular case a final conclusion could be reached only after hearing the argument of the supplier. During the previous year paper for printing text book in K.B.P.S was returned stating that there was no godown facility. He added that during the previous year treasury ban was not there and the Finance Department had agreed for advance payment as on March.

51. The Committee opined that even though there was treasury ban special sanction would be accorded in such cases especially in cases relating to

printing text books. The Committee noted that the Text Book Office hadn't got any directions for claiming liquidated damages and asked whether the Text Book Officer received copy of the original agreement. To this the Text Book Officer replied that they didn't get anything in this regard. The Committee pointed out that the Controller of Stationery had neither sent copies of agreement to Text Book Office nor requested them to claim liquidated damages from the supplier. Instead, the Text Book Officer was issued with the supply order only.

52. The Controller of Stationery (in-charge) informed that the Supplier and the Controller of Stationery on behalf of the Government had signed a memorandum specifying that the conditions stipulated in the supply order, which formed a part of the agreement was satisfactory. The Committee then asked how such a supply order was framed as there was no clause in the agreement regarding this. Hearing this the Director of Public Instruction clarified that the Government had accepted the offer subject to the conditions stipulated in the supply order which was a part of the agreement. Thus anything mentioned in the supply order happened to be a part of the agreement. The Committee opined that this action was aimed for misuse of agreement conditions and enquired as to why the Controller of Stationery had not sent copy of the agreement to the Text Book Officer.

53. The Committee viewed this act as purposeful. The Controller of Stationery informed that usually liquidated damage would be levied if extension was not given and it would be informed to Text Book Office at once.

54. The Committee expressed its strong dissatisfaction towards the fact that a clause which was not part of the agreement was included in the supply order. The Committee further observed that the Controller of Stationery had not sent the copy of the agreement to the Text Book Officer though the latter was responsible for payment. The Committee asked whether the supply order had any provisions regarding liquidated damages. To this the Controller of Stationery informed that nothing was mentioned in the supply order regarding liquidated damages.

55. The Committee asked why the supply order and agreement was not sent together though the Text Book Officer was responsible for payment. The Committee observed that even though there was provision in the agreement regarding liquidated damages it was not levied, instead an additional paragraph was included in the agreement specifying that anything mentioned in the supply order would become part of the agreement. The Committee suspected that it was intended for misappropriation and misuse.

56. The Controller of Stationery stated that they had given extension due to the fact that as paper for printing text books was needed urgently. The Committee pointed out that the department should have issued notice for liquidated damages and urged the department to furnish a copy each of the request for extension by the supplier and the order granting extension within a week. [The department submitted a Report on 3-6-2008 which is included as Appendix IV].

57. The Committee examined the audit observation, which revealed that there occurred loss of Rs. 13.20 lakh towards purchase of 3500 MT. white printing paper reels for printing text books for the year 2001-02. The Committee noticed that the initial rate quoted was Rs. 25,665.47 per MT. for 1000 MT. and 2500 MT. at Rs. 27,133.60/MT. The Committee also noted that against the supply order for 1000 MT, the firm supplied a total quantity of 101.16 MT. and the same had supplied the material for 2500 MT at higher rate. The Committee enquired the reason for such a huge loss.

58. The Controller of Stationery informed that the department had agreed to supply materials at DGS & D rate due to dire necessity of printing paper in order to complete printing of text books at the shortest time. The Committee enquired whether the department possessed any data regarding the amount spent and the balance amount to be spent. The Controller of Stationery stated they had all such details with them.

59. The Committee opined that the department failed to conduct timely purchase, which necessitated emergency purchase. The Committee wanted to know the circumstances that led the department for ordering 1000 tonnes of paper. The Committee opined that emergency purchase was unnecessary as only 101.16 MT was purchased.

60. The Controller of Stationery informed that the same was supplied as the continuation of the balance quantity of the previous year. The Committee questioned the need for an emergency purchase as the firm had not supplied the original quantity ordered. Hearing this the Controller of Stationery stated that earlier it required at least 4 months for completing the tender procedures. The Committee directed that the department should evolve certain procedures for streamlining all these activities. It was also pointed out that these problems could be avoided if the requirements been intimated at the right time.

61. The Committee strongly deplored the grave irregularity and asserted that usually the Text Book Officer should have intimated the Controller of Stationery of the stock details and as per that information the Controller of Stationery would have to call tender. The Committee enquired as to why the Text Book Officer had not furnished the stock details at the right time.

62. The Text Book Officer informed that currently everything was being done at the right time. The Committee found that the department had failed to submit the purchase order within the specified time i.e. within 7th January every year. The Committee noticed that the purchase order which was to be given in 7th January was effected in the month of June. To this, the Text Book Officer answered that administrative sanction for the purchase was obtained only in June.

63. The Committee enquired the reason for giving supply order to the same firm, which failed to supply materials within the specified time twice. The Committee found that the firm had supplied materials irregularly and the department had ratified this by placing it in the D.P.C. and again fresh tenders were invited.

64. The Controller of Stationery brought to the notice of the Committee that Delta Paper Mill, Andhra Pradesh was supplying the material at DGS&D rate and the same rate was economical to the State. So supply order was given to that firm. The Committee found that the firm had failed to comply with the provisions stipulated in the supply order. Hearing this the Controller of Stationery informed that both Government and the firm were bound to obey the conditions stipulated in the supply order. In the said case as per supply order condition 95% of the price of the stores of each consignment should have been paid on proof of despatch to the consignee or delivery to the interim consignee and the balance 5% should have been paid on receipt of stores. As the department was not able to make the payment in advance the firm had stopped their supply.

65. The Committee opined that the Government in its reply had not mentioned anything regarding the delayed payment. It was mentioned that the supply order was cancelled due to poor financial condition of the supplier and nowhere in the reply it was mentioned that the Government failed to make payment at the right time. The Committee noted the Government's reply which stated that as the firm was not financially stable, the DPC had examined the case in detail and decided to cancel the unexecuted portion of the supply order.

66. The Committee then enquired whether they would invite tender for emergency purchase and asked about the procedure followed by the department regarding this. The Controller of Stationery informed that usually supply order would be given to the firm which quoted DGS & D rate.

67. The Committee desired to know whether the decision for cancelling the unexecuted portion of 898.84 MT as per DGS&D rate was taken by the DPC unanimously and asked whether there was any government order regarding

this. The Controller of Stationery added that there was government order regarding the same.

68. The Committee desired to know whether supply order would be issued to that firm, which quoted DGS&D rate at any circumstances without inviting tender. The Controller of Stationery answered that the same could be done if the rate was prevailing at that time.

69. The Committee opined that the main reason for such a delay was that the department had not taken any timely action. So emergency purchase was needed. The Committee desired to have a thorough enquiry in the case. The Committee also opined that the department should have invoked liquidated damage from M/s Delta Paper Mill for the delayed supply. The Controller of Stationery stated that it was not justifiable in invoking liquidated damage without making advance payment.

70. The Committee noted that administrative sanction for the purchase of paper for the year 2005-06 was accorded only in June 2004 instead of January 2004, which led to emergency purchase. The Committee enquired the reason for the delay in obtaining administrative sanction and the officer responsible for the lapse. The Additional Secretary, General Education Department informed that it was the Higher Education Department which had issued such an order. He added that the concerned file disclosed no specific reason but just the administrative reasons. The Committee opined that an amount of Rs. 61.11 lakh was lost due to emergency purchase of 1500 MT of paper. The Committee demanded a vigilance enquiry in this case.

71. The Committee noted that allowance of 8% wastage to Government presses and 2% for private and other presses was sanctioned by Government. The Committee didn't understand the logic behind this and enquired the reason for this difference. The Text Book Officer informed that the decision to give such a high wastage allowance to Government presses was taken at the Government level. She informed that KBPS had submitted a proposal to Government for increasing the wastage allowance and the Government had sanctioned the same. To the question of the Committee as to why Government had decided to give such a high exemption, the Text Book Officer didn't have any satisfactory answer.

72. The Committee reminded that the decision for giving such a high exemption had led to a loss of Rs. 6.35 crore. To the question of the Committee regarding the officer responsible for reconciliation of accounts, the witness informed that reconciliation should be done by the General Education Department. She also informed that the department had constituted a Committee

consisting of four members two from government press and two from the department for reconciling such amounts. The Committee repeated the same question about the officer responsible for reconciliation. It was informed that the Text Book Officer had the responsibility for reconciling the amount.

73. The Committee desired to know whether there existed any mechanism for reducing the wastage and also enquired about the officer vested with the control for reducing the wastage. To this the Text Book Officer could not offer a specific answer but vaguely answered that the audit observation was not correct. The Committee brought to the notice of the witness that immediately after the audit inspection the AG would publish a draft report and at that time the concerned departments that which mentioned in the audit report would get chance to clear their side. Only after this the final audit report of Comptroller and Auditor General would be placed on the table of the House. The department could point out the mistakes occurred in the draft audit report when it reached the administrative department.

74. The Committee viewed that certain serious misappropriation had occurred regarding wastage allowance and suggested for a vigilance enquiry in this case also and to reassess the case by appointing an expert Committee. The Committee also noted that the Technical Committee of the department was not able to assess this excess wastage. The Committee desired to have the details of the members of the Technical Committee. The Text Book Officer informed that the Technical Committee consisted of two officials from the Government Press. She also submitted that the Text Book Office didn't have any technical staff. The Committee also suggested for deputing an independent agency for studying all the aspects of the case and the Additional Secretary, General Education Department agreed to it.

75. The Committee noticed that in the office of the Kerala State Audio Visual and Reprographic Centre (KSAVRC) closing stock of printing materials valued at Rs. 1.58 crore was pending to be transferred to the Text Book Office as of November 2005. The Committee asked whether the closing stock had been transferred to Text Book Office. The Text Book Officer informed that the materials had not been transferred yet. Only one type of textbook was usually being indented to print in KSAVRC. She submitted that whenever KSAVRC was requested to print text book the reply used to be that they had shortage of paper for printing.

76. The Committee asked whether the department had taken any action regarding the loss of Rs. 2.36 crore by excess consumption of printing materials over and above the standard by six private printers and KSAVRC. The Text

Book Officer submitted that they were continuously sending letters to the firm in this regard. The Committee again asked whether the department had paid the printing charge to those printers. The Text Book Officer informed that there was arrears of printing charge to be paid. Hearing this the Committee asked whether the department had taken any step for deducting the loss sustained to Government from the printing charge due and enquired whether the department had sent notice to the six private printers in this effect. To this the Text Book Officer informed that notice had already been issued in this regard. The Committee urged the department to furnish a copy of the notice within one week.

77. The Committee noticed from the audit observation that printing papers valued at Rs.64.23 lakh was issued to Government Presses at Kannur, Thiruvananthapuram and Ernakulam, but no records were available to show the receipt of printed text books or return of the printing materials to Text Book Office. To this the Text Book Officer submitted that there existed no records regarding the return of the printed materials to the Text Book Office. But the reconciliation of that particular case had not been completed. She stated that printed Text Books were usually received by the Store Keeper of Ernakulam and Shornoor book depots. The Committee enquired whether the book had been received by the concerned office and the Text Book Officer answered in the affirmative.

78. The Committee observed that due to lack of reconciliation of paper accounts, Rs.3.68 crore was lost during the period 2001-02 to 2004-05. Out of this Rs.2.85 crore was from 13 private printers and Rs.82.77 lakh from government presses. The Committee enquired whether the department had taken any action for recovering the amount. The Text Book Officer submitted that notice had been issued to those presses and reminders were being sent every month.

79. The Committee pointed out that the department should have taken legal action at least against private presses, and asked whether they had taken any legal action in this respect. The Text Book Officer informed that no legal action had been taken. The Committee directed to take legal action against the 13 private presses involved in the case and the Text Book Officer agreed to it.

80. Regarding the audit observation on loss of Rs. 7.92 lakh due to printing of books without incorporating the revised syllabus, the Committee enquired about the reason for this. The Text Book Officer informed that the department had decided to include Linux in the syllabus after the books were got printed. It was added that the order from the Executive Director, IT @

school project was issued on 28-10-2005. The Committee observed that the print order had been issued during August 2005.

81. The Text Book Officer brought to the notice of the Committee that the Executive Director, IT @ School project had intimated the Text Book Officer that they were trying to introduce Linux portion in Std. VIII and IX and decided to print the IT text books incorporating the revised portion in the original text book so that the printing of supplementary books could be avoided. Hearing this the Committee opined that the Executive Director was responsible for all these problems. The Committee also pointed out that the printing of additional 1,02,800 books had resulted in loss of Rs.10.16 lakh. The Committee also brought to the notice of the witness that the Curriculum Committee had recommended to introduce Linux in a phased manner. The Committee again reminded the witness, that they were asking about the newly introduced system for Std. IX during 2006-07. The witness stated that the newly printed books had already been used so there won't be any loss regarding this case.

82. The Committee noticed that the Text Book Officer had not collected the stock details from 34 DTBO and CTBS before placing orders to print books and enquired the actual reason for this lapse. The Text Book Officer informed that usually tentative print order would be given before stock purchase. In that order it would be requested to print that much number of books mentioned therein. Usually reporting of the change in the syllabus happened to be a subsequent development. In this particular case also the change of syllabus was reported later. The Committee opined that the main issue was that print order had been placed without considering the number of text books needed. The Committee found that in this particular case the Text Book Officer had not collected any details regarding the stock in DTBD & CTBS. It was further pointed out that the department should have collected the details from the above centre. The Committee reminded that the department had caused a loss of Rs. 6.19 crore to the Government due to the failure of Text Book Officer in assessing the stock details.

83. To a question of the Committee regarding the officer responsible for assessing the stock details it was informed that the Text Book Officer was responsible for the same. The Committee asked why the stock details had not been collected in this case. To this the witness answered that the problem occurred due to revision of syllabus. Hearing this the Committee pointed out that in this case the Text Book Officer had given the purchase order without considering the stock details and the details regarding the required number of books.

84. The Committee opined that as per the norms the department should have given purchase order considering the quantity of books needed. The Committee also pointed out that purchase order should have been given for only 10% more than the required number. Hearing this the Controller of Stationery informed that change in syllabus was reported later. While the Committee opined that purchase order should have been given only after assessing the stock details the Text Book Officer stated that it was impractical as distribution should be confirmed up to 31st July. Only after this, that the stock balance could be calculated. Disagreeing with this contention the Committee pointed out that the department should have clearly assessed the number of students since all such details were readily available with them. The department should have given purchase order by considering the total number of students plus 10% extra.

85. The Committee desired to know whether the department had online facility for assessing the stock details. The Controller of Stationery stated that they had no online facility but had stock register. When the Committee stressed the need of online facility, the DPI informed the Committee that an accurate system could be introduced from the current year onwards after verifying the stock and indents received.

86. Regarding the audit paragraph on the loss of Rs.70 lakh in terms of printing charge due to change in syllabus after printing text books, the Committee accepted the view point of the department that change in syllabus was a policy decision of Government and opined that in this particular case the Text Book Officer was not at all responsible. As there was change in Government by that time the new Government decided to continue the old syllabus. It was the policy decision of the Government.

87. The Committee noticed that there occurred a loss of Rs.1.13 crore being the sale value of 873.43 MT of obsolete text books at Rs.12.89 per kg. The Text Book Officer informed that usually the obsolete books were transferred from each and every depot after 2 or 3 years. Due to the lack of storage facility these books were dumped at corners of rooms which would be got wetted during rainy seasons and chances of being eaten by termite and got damaged. Hearing this the Committee opined that the details of damaged books should have been entered in the stock register as damaged books. The Committee then decided to visit Government Press for seeing how things were going on there.

88. The Committee found that Rs. 83.03 lakh was pending recovery from 18 employees towards liability fixed for shortage of books found during physical verification of stocks. The Committee understood that out of the 18 employees 12 had retired from service and enquired whether the department had taken any

action for recovering the amount. The Text Book Officer informed that out of Rs. 83.03 lakh, Rs. 2,78,410 (2.78 lakh) had been recovered. The Committee wanted to know the amount recovered from the 12 retired officers. To this the Text Book Officer did not have any satisfactory answer. The Committee directed the Text Book Officer to furnish all such details. The Text Book Officer agreed to do so. The Committee further enquired whether the department had issued Non-Liability Certificate to these officers. The Text Book Officer informed that Non-Liability Certificate had not been given to any of the officer. The Additional Secretary, General Education Department brought to the notice of the Committee the fact that in the cases of retired officers no pensionary benefits were disbursed. He agreed to furnish all details regarding this.

89. Coming between the deliberations, the DPI informed that there were cases where liability fixed for lakhs of rupees which were still pending and in those cases Non-Liability Certificate could not be issued. He added that majority of them were store-keepers.

90. While going through the audit objection relating to loss due to non-implementation of work experience programme the Committee enquired the latest position of the matter and asked about the revenue accrued out of this. The witness didn't have any satisfactory answer. The Committee pointed out that the department had no correct data regarding the quantity of books sold, balance to be sold, details of balance quantity of paper, revenue earned etc. The Text Book Officer informed that all these details were available in the Text Book Office. The Committee suggested to conduct a vigilance enquiry to probe into the whole episode. The Committee enquired whether the Internal Audit Wing of the department was functioning well. The Text Book Officer replied in the affirmative but stated that there was scarcity of staff. The Committee noted that the Public Accounts Committee in its 53rd Report (2001-04) had recommended to post additional staff in the Internal Audit Wing in order to strengthen its functioning. The Committee asked whether the recommendation had been implemented. To this query the answer of the Text Book Officer was not in the affirmative.

91. The Committee enquired the reason for not implementing the recommendations of the Committee. The Committee also opined that it was the duty of the DPI to strengthen the audit wing. The DPI stated that they were busy with the printing of text books as it had to reach the Text Book Office before 31st May. He assured the Committee that he would try his level best to strengthen the Internal Audit Wing by appointing a fresh team. The Committee expressed its displeasure over the non-implementation of its recommendation and directed the department to implement the recommendation very urgently.

92. The Committee visited the Kerala Books and Publications Society, Kakkannad, Ernakulam on 21-6-2008 in connection with the examination of the above audit paragraph and made discussions with the officials regarding certain points in the audit paragraph.

93. The Committee pointed out that the permissible wastage for inner paper of 60 gsm. 76 cm. width Maplitho, 60 gsm. 86 cm. width Maplitho and 60 gsm to 60cm. width Maplitho paper reels were 6.58 per cent, 5.97 per cent and 7.77 percent respectively. But the wastage availed by Kerala Books and Publication Society for the above size papers were 16.05 percent 11.19 percent and 11.19 percent respectively. The wastage allowed by Government for private presses was 2% while it was 8% for Kerala Books and Publications Society, for printing the text books. Even though 8% was allowed as wastage for Kerala Books and Publication Society, the firm availed more wastage; thereby causing a huge loss of Rs. 6.35 crore to Government from 2000-2001 to 2004-2005.

94. The witness, CMD, Kerala Books and Publications Society replied that the information was not correct and that KBPS had not availed the wastage as stated. The Committee then asked whether the objection raised by Audit was wrong and whether they had furnished reply for this objection. The Controller of Finance and Accounts, KBPS replied that the Audit team had not come or inspected the records of their office. All related accounts along with details of wastage as per norms were submitted by the institution in time. But Audit team inspected only the accounts furnished by the Text Book Office. As far as wastage was concerned it included the wastage during printing and damages happen at the time of transportation. He also informed that 2% wastage allowed to private presses are for black and white printing. Text Books are printed in KBPS with printed cover in colour. The wastage allowed for colour printing in high speed Harris Machine is 8%. There is no cutting waste in it. Printing waste is also the property of the press. Cutting waste is also calculated.

95. Referring to the statement that printing waste is the property of the printer the Committee pointed out that as per G.O.(Ms.) No.45/2000/H.Edn., dated 28-3-2000, the sales proceeds of the waste paper was to be shared between the Kerala Books and Publications Society and the Government in the ratio of 6:2 with effect from 29-3-2000 onwards. In G.O (Ms.) No. 53290/M2/05/G.Edn., dated 23-12-2005 it was ordered to recover Rs. 158.85 lakh from Kerala Books and Publications Society in 12 equal instalments. Two instalments @ Rs. 13,23,750 were adjusted during 7/2005 & 8/2005 against the amount, which was due as printing charge to KBPS from Government. The Committee enquired about the position of the balance amount.

96. The CMD, KBPS replied that the full amount had been realised by Government. He added that the institution was working on its own fund and there was no grant from Government. Regarding the allowed wastage he said that the allowable wastage of 2% to private presses was only for Black and White printing and for colour printing the allowable wastage was 4%. Private printers are using sheet fed machines and the 2% or 4% wastage in a sheet fed machine was quite sufficient but in Web Offset machine the wastage would be a little bit more. But the extra wastage in Web Offset Machine could be compensated in cost difference between the reel paper fed in Web Offset printing machine and sheet paper in sheet fed machine. Sheet paper would cost Rs. 1000 per MT extra than reel paper. The wastage allowance of 8% pointed by Audit was only for high-speed Harris Machine for four-colour printing and for all other Web Offset printing machines the wastage allowance was only 6%. But the Committee repeated that as per the accounts furnished by KBPS to Text Book Office, the percentage of wastage was 16.05, 11.19 etc. The CMD said that cutting waste was their property. The percentage of final wastage was as 8%, 6% and 4% respectively.

97. The Committee then asked whether wastage could be reduced by changing the technology. The Controller of Finance and Accounts KBPS replied that it could be oriented using one sheet of paper 16 pages. The page is arranged in 60 GSM 76 CM size; final product weight 158 gm. and the rest being wastage. Earlier the size of the paper used was 90 cm. which had been reduced to 86 cm. subsequently. The wastage was calculated on finished products. The Committee asked about the ratio of percentage between cutting waste and printing waste. The witness informed that the wastage is calculated after printing 4 sides of paper in paper folding unit in the machine. The wastage which remain at that time is cutting waste.

98. The Committee pointed out that the paper used for printing text books for Classes V to X is 86 cm. width paper reels and that of standards I to IV is 76 cm. width paper reels. But due to printing of text books relating to upper primary and high school classes using the paper specified for primary classes, government suffered huge loss in terms of wastage of paper.

99. The witness informed that when the paper specified for high school classes was not available one text book was printed with the paper specified for primary classes after getting permission from Government. The Committee opined that had this fact been furnished to the Accountant General in time, this objection could have been avoided. To a question of the Committee regarding the remedy for lowering wastage, the Director of Printing told that cutting wastage could not be calculated.

100. The Committee pointed out that the printing charge was paid in advance to Kerala Books and Publications Society by Text Book Office till 31-3-2002. From 1-4-2003 onwards the advance payment system was stopped and printing charges were paid against demand raised by KBPS. An advance amount of Rs. 1,09,14,729 was pending adjustment from 2001-2002 onwards. The Committee asked about the latest position of the settlement of that amount. The Director of Printing informed that the amount had been transferred as capital as per the orders of the Higher Education Department.

101. Regarding the performance of KBPS during the previous audit year the Director of Printing informed that the institution had done a good job. Rs. 7 lakh was spent from its account for purchasing printing machine. The amount which remained as due to government was adjusted against the due to KBPS in terms of printing charge. The CMD apprised that the required land for the expansion of KBPS had not been assigned to it. It was pending in certain technical problems.

102. He further informed that the purchase of paper for printing of Text Book was made by Text Book Office through the Controller of Stationery. Paper might not be received in time or might be mostly damaged in transshipments resulted in much higher rate of wastage and resultant loss to Government. The requirement of 76 cm. reel paper for printing part II books for the academic year 2008-2009 had not been supplied yet and the work was pending.

103. There was a decision in the High level Committee held on 21-11-2007 in the presence of the Honb'le Minister for Education that the purchase of paper be made by society direct so that delay due to lack of co-ordination of the departments could be avoided and wastage of paper could also be reduced. No order had been issued so far for implementing the above decision.

104. The Committee decided to recommend the following:

- (1) The paper should be purchased by Kerala Books and Publications Society through a Committee including representative from Stationery department. That Committee should select quality paper.
- (2) All Text Books for school level and Higher Secondary Level had to be printed through Kerala Books and Publications Society. All printing works of Government should be assigned to KBPS.
- (3) The Revenue department should hand over the land required for the expansion of KBPS to the society after solving all technical problems.

105. The Director of Printing apprised the Committee that the society was to get an amount of Rs. 4.11 crore from Government in terms of printing charge and that Government had not assigned certain printing works to other agencies though KBPS offered 10% discount. The Committee described the action of Government in not making payment to KBPS for the printing works and assigning certain works to KSAVRC without conforming their capacity as unfair.

106. Representatives of various trade unions working in the Kerala Books and Publications Society submitted memoranda to the Committee. The main demands were that an amount of Rs. 3 lakh each should be given as thanks giving to the employees retiring from Kerala Books and Publications Society since there was no other retirement benefit, sanction from Government for purchase of new H.M.T. machine, assignment of ownership of land to Kerala Books and Publications Society, entrusting all printing works of government including Holograms of KSBC Limited to the Society etc.

Conclusions/Recommendations

107. **The Committee notes that the Government had acted against the rule thereby exempting preparation of Pro forma accounts of Text Book Office for the years from 1975-76 to 1986-87. In addition to this, the Government is planning to give exemption from preparing pro forma accounts for the years from 1987-88 to 2002-03. The Committee views this very seriously, and recommends the Government not to give exemption in preparing Pro forma accounts of the Text Book Office from 1987-88 onwards. Not only that, strict direction should be given to prepare the pending pro forma accounts within a limited time span. The Committee finds that the department has no details regarding the books sold and if there are any such account of paper utilized and the details available, they are loaded with mistakes. The Committee suggests that since the price of books sold towards Sarva Shiksha Abhiyan programme is to be recouped from GOI, the department should take earnest steps to get the reimbursement of the cost of book so sold and that in future this amount should be collected in the same year itself.**

108. The Committee suggests to furnish the year-wise details of the paper account and books sold from TBO.

109. Regarding the loss due to failure to deduct liquidated damages for delayed supplies the Committee suggests to issue notice for the same. The Committee also finds that the Controller of Stationery had neither given any direction to the Text Book Officer for claiming liquidated damages from the supplier for the delayed supply nor sent copy of the

agreement to the Text Book Office. The Committee condemns the act of the department in including certain clauses in the supply order which were not included in the agreement and opines that it is aimed for misuse of the agreement conditions. The Committee notices that the additional clause that “anything mentioned in the supply order will become a part of the agreement” was mainly aimed at malpractice.

110. While enquiring about the emergency purchase done by the department, the Committee directs the department to evolve certain procedures for channelising all the activities relating to emergency purchase, tender etc., by the department. The Committee also suggests to intimate the requirements at the right time. The Committee is very much dissatisfied towards the fact that the Text Book Officer had not furnished the stock details to the Controller of Stationery at the right time for calling tenders.

111. The Committee observes that emergency purchase of paper was made due to the lapse on the part of the department in taking timely action and delay in according administrative sanction for the purchase of paper. This caused for the loss of Rs. 61.11 lakh to Government. The Committee recommends for a vigilance enquiry on the delay in giving administrative sanction.

112. The Committee understands that Government had allowed 8% wastage allowance to Government presses while the private ones are allowed with 2% wastage allowance. The Committee notices that due to this high wastage allowance allotted to Government presses government had lost Rs. 6.35 crore. The Committee views this as very serious and recommends for a vigilance enquiry in the case and suggests that the department should reassess the case by appointing an Expert Committee. The Committee also notes that the Technical Committee of the department is not able to assess this excess wastage. The Committee wants to know whether this excess wastage is being sold out and the selling price added to Government account, if not what the Department did with it. The Committee further recommends for deputing an independent agency for studying all the aspects of the case.

113. Towards the audit objection that Rs. 2.36 crore has been lost due to excess consumption of printing materials, the Committee recommends that the department should take legal action against the 13 private presses and KSAVRC involved in the case.

114. The Committee regrets to note that though the Committee desired to have a copy of the notice which the TBO informed to have sent

to the private printer suggesting deduction of loss against printing charge due, it has not been furnished to the Committee. It is suggested that required copy of the notice should be furnished to the Committee without any delay.

115. Regarding the issue that Government had suffered much loss due to printing of excess number of text books, the Committee notices that the Text Book Office had given purchase order without considering the stock details and requirement of books. The Committee recommends for a vigilance enquiry in the case relating to the loss due to non-implementation of work experience programme. The Committee is dissatisfied over the non-implementation of its recommendation to strengthen the Internal Audit Wing by appointing additional staff and urges the department to implement it very urgently.

116. The Committee opines that it is very unfair that the Government is not making payment to KBPS for the printing works done for Government and assigning certain works to KSAVRC without confirming their capacity. The Committee recommends that the KBPS should purchase printing paper through a Committee including representative from Stationery department.

117. The Committee suggests that all printing works of Government including printing of all text books for schools level and Higher Secondary Schools level should be assigned to KBPS.

118. The Committee further recommends that the Revenue Department should hand over the required land for the expansion of KBPS to the said society without any delay.

119. The Committee suggests that the Government should consider the problems faced by the employees of KBPS and that a remedial action should be sorted out for the same.

AUDIT PARAGRAPH

Idle investment on building

Construction of staff quarters, hostel building and other facilities under the Teacher Education Scheme was completed only after 12 years at the cost of Rs. 1.28 crore and these were not put to use so far due to non-availability of electricity connection

Government sanctioned (October 1988) construction of staff quarters, hostel building and other facilities under cent percent centrally sponsored scheme of

Teacher Education for the District Institute of Education and Training (DIET) at Maipady in Kasaragod district at an estimated cost of Rs. 56 lakh. The work entrusted to the Kerala State Construction Corporation (KSCC) in March 1989 was terminated (December 1994) due to slow progress of work. The remaining work was rearranged through the Public Works Department (PWD) in June 1997 prescribing the period of completion as 18 months. PWD completed the buildings in March 2003 at a total cost of Rs. 1.28 crore (including Rs. 7.47 lakh paid to the KSCC). Thus, the Department took 14 years to get the building completed.

The Principal initiated action for getting the estimate for applying for electricity connection from the Kerala State Electricity Board (KSEB) in October 2003 and took over the buildings in August 2004. The estimate for Rs. 4.40 lakh received from the KSEB in July 2005 was returned by the Director of Public Instruction (December 2005) for getting the amount reduced. The revised amount of Rs. 2.69 lakh was remitted by the Principal in February 2006, but the connection had not been received as of March 2006.

The buildings completed at a cost of Rs. 1.28 crore could not be utilised so far for want of electricity connection even after three years of the completion of the building. The Department did not take any earnest efforts to get the estimate from the KSEB which was delayed by about two years.

The Principal stated (April 2006) that the institution suffered for the last several years due to lack of these facilities as all the Teacher trainings were conducted in other schools and the students had to arrange for their stay by other means. Thus the staff quarters, hostel buildings, laboratory, workshop etc., sanctioned 17 years ago, and essential for the students and teachers of DIET could not be utilized as of April 2006.

Government in its reply stated (July 2006) that the building was occupied by DIET in May 2006. But the fact remains that the facilities sanctioned by Government were denied to the students and teachers for about seventeen years due to inadequate monitoring by the department.

[Paragraph 4.4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

120. Regarding the audit paragraph the Committee enquired the latest position of the hostel building and staff quarters built for DIET, Kasaragod. The Principal, DIET, Kasaragod informed that the building had started functioning

from 20-5-2006. The Committee then enquired the reason for the delay in getting electric connection. To this the Principal stated that when the building was handed over to DIET by PWD they had applied for electric connection, but KSEB demanded to submit the total plinth area of the building. By calculating the plinth area it was assessed that about 175 KW electricity would be needed for the building. So High-Tension connection was needed instead of low tension connection. The deposit demanded by KSEB for High-Tension connection was very high. But later they had decided to reduce the deposit amount after holding several discussions with the District Collector and this caused delay for the functioning of the building. The Committee pointed out that if they had remitted the amount in O.Y.E.C. Scheme then the delay could have been avoided.

Conclusion/Recommendation

121. **No comments.**

AUDIT PARAGRAPH

Diversion of Special Fees Fund

Government schools and aided schools were denied benefits intended from Special Fees Funds as Rs. 12.51 crore were diverted for conducting SSLC examination

Government notification issued in January 1969 contained instructions for collecting special fees for items like Games, Library, etc., from the students of the Government and aided schools and for utilising the Special Fees Fund (Fund). It also provided that a Committee should be constituted for each school for the proper utilisation of the Fund and that the Fund should be utilised only for the purpose for which it was collected.

Test check of the records of the 378* Government High Schools in 13 districts during 2005-06 revealed that the collections in the Fund were being diverted by the schools for several years as directed by the Commissioner for Government Examinations (CGE) for conducting Secondary School Leaving Certificate (SSLC) and other Public Examinations. There were 1002 Government High Schools and 1442 Aided High Schools in the State as of April 2006 and the expenditure for the conduct of SSLC Examination for each school ranged between Rs. 5000 and Rs. 15000.

* Thiruvananthapuram-56, Kollam-42, Pathanamthitta-14, Kottayam-9, Alappuzha-27, Ernakulam-37, Thrissur-29, Palakkad-21, Malappuram-51, Kozhikode-29, Wayanad-7, Kannur-31, Kasaragod-25.

Until 2001-02 the examination fee was leviable only from private candidates. But examination fee was levied from regular students at the rate of Rs. 60 per student for the year 2002-03 and at the rate of Rs. 30 per student from 2003-04 onwards. Consequently, the department collected Rs. 3.30 crore in 2002-03 and Rs. 2.29 crore in 2003-04 as against the average annual fee collection of Rs. 1.50 crore during the preceding three years (1999 to 2002). Even after starting collection of examination fee from regular students the Department failed to make adequate provision in the budget estimates and the practice of diversion of special fee for conducting the examination continued. According to the information received (March 2006) from the CGE, Rs 12.51 crore was diverted from the Fund of the Schools during 2000-04. Following points were noticed in Audit.

- The Funds were to be utilised for the basic facilities of the schools like purchase of materials for Sports and Games, additional facilities for Laboratories and Libraries, Science Exhibition, etc., for which no other source is available and as a result of diversion of the Fund, these activities were severely affected in the Schools and the purpose of collecting Special Fee Fund from students was defeated.
- Director of Public Instructions/CGE failed to take adequate steps for regularisation and recoupment of the expenditure and as a result in most of the schools the funds were exhausted.
- Proper account was not maintained in the CGE for the expenditure incurred prior to 2000.

The matter was referred to Government in June 2006; reply had not been received (August 2006).

[Paragraph 4.5.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

122. The Committee noticed that in 378 Government high schools during the year 2005-06 special fee funds had been diverted for conducting SSLC and other public examinations. The Committee enquired as to why this happened as they had adequate budget provision for conducting SSLC and other public examinations. The Committee enquired the latest position regarding this. The Joint Commissioner of Government Examinations, Pareeksha Bhavan informed that usually special fee were collected from students of U.P School and High School and used to be utilised for games, library, laboratory facilities etc.

123. The Committee pointed out that since there was budgetary support for SSLC examination, these special funds should have been utilised for the intended purpose. The Joint Commissioner stated that they had decided to divert the special fee fund as the budgetary provisions for conducting public examination was very low. She added that the amount had been recouped subsequently.

124. The Committee reminded the witness that they had no right to divert the fund and suggested that the Finance Department should provide adequate funds for conducting SSLC and other public examinations.

125. The Additional Secretary, Finance Department informed that all these came under Non-plan Head and that usually requirement for an year was fixed by considering the expenditure of the previous year plus 10% enhanced rate. He also stated that the Education department could sent re-appropriation proposal if the budgetary support was inadequate. But they were not doing this and were limiting their expenditure within the budgetary support.

126. The Committee opined that by examining the Finance Appropriation Accounts of Comptroller and Auditor General for the year 2006-07 it was revealed that about Rs.600 crore had been remaining unutilised. About Rs. 8023 crore still remained unspent by various departments. The Committee suggested that even though the Finance department provide funds by considering the ways and means position adequate budget allocation should be provided to SSLC examination. The Additional Secretary, General Education Department agreed with the opinion of the Committee that it was a wrong practice to divert special fee funds for examination purpose. He revealed that the department had received Rs.5 crore from Government which was distributed to various schools as special fee fund through 14 District Deputy Directors, and were being utilised for providing basic facilities. He also brought to the notice of the Committee that the department had submitted a request before the Subject Committee for allotting Rs. 8 crore for meeting the additional expenditure.

127. The Committee enquired whether there was any budget provision regarding this in the current year's budget and asked about the normal amount allocated for one year for this purpose. The Additional Secretary, General Education Department informed that the previous year's expenditure was Rs. 8.13 crore and the current years allocation was based on this amount. Intervening in the discussion, the DPI informed that current year's budget provision was Rs. 9 crore and the expenditure was Rs. 8 crore. But the difference of Rs. 7.51 crore of earlier years would be outstanding. The department could settle the account only if they received the arrear amount of

Rs. 7.51 crore. Hearing this the Committee suggested that the Finance Department should adjust the arrear amount of Rs. 7.51 crore. The Joint Commissioner of Government Examination informed that proposal for this had already been submitted to Government.

Conclusion/Recommendation

128. Observing that diversion of special fee funds for conducting Public examination like SSLC is not fair, the Committee recommends the Finance Department to provide adequate budget allocation for conducting SSLC Examination and other public examinations. The Committee further recommends that the Finance Department should adjust the arrear amount of Rs. 7.51 crore relating to earlier years in respect of conduct of SSLC examination.

Thiruvananthapuram,
23rd June, 2010.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

APPENDIX I

Summary of Main Conclusions/Recommendations

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	34	General Education	The Committee is displeased on the vague answers rendered by the Director regarding the audit objection. The Committee strongly condemns this irresponsible attitude and views this as utter ignorance which cannot be excused at any cost. The Committee finds that the department had issued N.L.C. and had disbursed retirement benefits to those officials involved in the case even after the presentation of the Comptroller and Auditor General's Report and view this as a criminal offence. The Committee also wants the Department to take strict action against the delinquents and intimate the same to them. The Committee regrets to note that the Internal Audit Wing of the Department is not functioning well.
2	35	„	The Committee finds that the department has no proper system for cash management. During the examination of audit paragraph the Committee directed the officials to submit a detailed report on the system adopted for cash management in the SCERT. But it is yet to be submitted. The Committee sees this as a dishonour. If there is no proper system, the Committee recommends for the setting up of a system for this purpose. The Committee also notes that in SCERT there isn't any officer for

(1)	(2)	(3)	(4)
			conducting physical verification of cash. Therefore, the Committee suggests that the department should conduct physical verification of cash once in every month instead of once in a year and that a responsible officer must be vested with the responsibility of conducting physical verification of cash. The Committee urges the officials to strictly adhere to the directions of the Department and the codal provisions in cash management.
3	36	General Education	The Committee suggests to furnish a detailed report on the audited accounts of SCERT without any delay.
4	107	„	The Committee notes that the Government had acted against the rule thereby exempting preparation of Pro forma accounts of Text Book Office for the years from 1975-76 to 1986-87. In addition to this, the Government is planning to give exemption from preparing pro forma accounts for the years from 1987-88 to 2002-03. The Committee views this very seriously, and recommends the Government not to give exemption in preparing Pro forma accounts of the Text Book Office from 1987-88 onwards. Not only that, strict direction should be given to prepare the pending pro forma accounts within a limited time span. The Committee finds that the department has no details regarding the books sold and if there are any such account of paper utilized and the details available, they are loaded with mistakes. The Committee suggests that since the price of books sold

(1)	(2)	(3)	(4)
			towards Sarva Shiksha Abhiyan programme is to be recouped from GOI, the department should take earnest steps to get the reimbursement of the cost of book so sold and that in future this amount should be collected in the same year itself.
5	108	General Education	The Committee suggests to furnish the year-wise details of the paper account and books sold from TBO.
6	109	„	Regarding the loss due to failure to deduct liquidated damages for delayed supplies the Committee suggests to issue notice for the same. The Committee also finds that the Controller of Stationery had neither given any direction to the Text Book Officer for claiming liquidated damages from the supplier for the delayed supply nor sent copy of the agreement to the Text Book Office. The Committee condemns the act of the department in including certain clauses in the supply order which were not included in the agreement and opines that it is aimed for misuse of the agreement conditions. The Committee notices that the additional clause that “anything mentioned in the supply order will become a part of the agreement” was mainly aimed at malpractice.
7	110	„	While enquiring about the emergency purchase done by the department, the Committee directs the department to evolve certain procedures for channelising all the activities relating to emergency purchase, tender etc., by the department. The Committee also suggests to intimate

(1)	(2)	(3)	(4)
			the requirements at the right time. The Committee is very much dissatisfied towards the fact that the Text Book Officer had not furnished the stock details to the Controller of Stationery at the right time for calling tenders.
8	111	General Education	The Committee observes that emergency purchase of paper was made due to the lapse on the part of the department in taking timely action and delay in according administrative sanction for the purchase of paper. This caused for the loss of Rs. 61.11 lakh to Government. The Committee recommends for a vigilance enquiry on the delay in giving administrative sanction.
9	112	„	The Committee understands that Government had allowed 8% wastage allowance to Government presses while the private ones are allowed with 2% wastage allowance. The Committee notices that due to this high wastage allowance allotted to Government presses government had lost Rs. 6.35 crore. The Committee views this as very serious and recommends for a vigilance enquiry in the case and suggests that the department should reassess the case by appointing an Expert Committee. The Committee also notes that the Technical Committee of the department is not able to assess this excess wastage. The Committee wants to know whether this excess wastage is being sold out and the selling price added to Government account, if not what the Department did with it. The Committee further recommends for deputing an independent agency for studying all the aspects of the case.

(1)	(2)	(3)	(4)
10	113	General Education	Towards the audit objection that Rs. 2.36 crore has been lost due to excess consumption of printing materials, the Committee recommends that the department should take legal action against the 13 private presses and KSAVRC involved in the case.
11	114	„	The Committee regrets to note that though the Committee desired to have a copy of the notice which the TBO informed to have sent to the private printer suggesting deduction of loss against printing charge due, it has not been furnished to the Committee. It is suggested that required copy of the notice should be furnished to the Committee without any delay.
12	115	„	Regarding the issue that Government had suffered much loss due to printing of excess number of text books, the Committee notices that the Text Book Office had given purchase order without considering the stock details and requirement of books. The Committee recommends for a vigilance enquiry in the case relating to the loss due to non-implementation of work experience programme. The Committee is dissatisfied over the non-implementation of its recommendation to strengthen the Internal Audit Wing by appointing additional staff and urges the department to implement it very urgently.
13	116	„	The Committee opines that it is very unfair that the Government is not making payment to KBPS for the printing works done for Government and

(1)	(2)	(3)	(4)
			assigning certain works to KSAVRC without confirming their capacity. The Committee recommends that the KBPS should purchase printing paper through a Committee including representative from Stationery department.
14	117	General Education	The Committee suggests that all printing works of Government including printing of all text books for schools level and Higher Secondary Schools level should be assigned to KBPS.
15	118	„	The Committee further recommends that the Revenue Department should hand over the required land for the expansion of KBPS to the said society without any delay.
16	119	„	The Committee suggests that the Government should consider the problems faced by the employees of KBPS and that a remedial action should be sorted out for the same.
17	128	General Education & Finance	Observing that diversion of special fee funds for conducting Public examination like SSLC is not fair, the Committee recommends the Finance Department to provide adequate budget allocation for conducting SSLC Examination and other public examinations. The Committee further recommends that the Finance Department should adjust the arrear amount of Rs. 7.51 crore relating to earlier years in respect of conduct of SSLC examination.

APPENDIX II

Action Taken Notes on C & AG Report for the year ended 31-3-2005 (Civil)

KERALA STATE SPORTS COUNCIL

<i>Year</i>	<i>Para No.</i>	<i>Title</i>	<i>Draft para</i>	<i>Action Taken</i>
(1)	(2)	(3)	(4)	(5)
2004-2005	4.4.2	Inordinate delay in completion of an international swimming pool complex	<p>Failure of Kerala Sports Council to ensure timely completion of an ambitious project even after four years of its targeted date of completion despite spending an amount of Rs.1.80 crore deprived the athletes the facility of an international swimming pool.</p> <p>Kerala Sports Council decided (September 1998) to construct an international swimming pool complex at Pirappancode in Thiruvananthapuram District. Government sanctioned (February 1999) the transfer of 93 cents of Panchayat land with the existing swimming pool to the Council for the purpose. The Council also purchased (April 2000) 115.4 cents of adjacent land at a cost of Rs. 11.54 lakhs.</p>	<p>Government sanctioned (Feb. 1999) the transfer of 93 cents of Panchayat and with the existing swimming pool to the Kerala State Sports Council for the construction of an International Swimming pool.</p>

(1)	(2)	(3)	(4)	(5)
			<p>The pile foundation work entrusted (February 2000) to a contractor was completed (September 2000) at a cost of Rs.43.97 lakhs. The second phase of construction of 'diving pool, racing pool, dormitory, galleries' etc. was awarded (April 2000) to M/s Hindustan Steel work Construction Limited, a Central Public Sector Undertaking, for an agreed contract amount of Rs. 3.61 crore to be completed within nine months which was extended up to May 2002. After completing 60 percent of the work, the contractor stopped the work in April 2001 on the ground of delayed payments of their part bills. Though adequate budgetary support was available, the Council failed to make timely payment of the claims reportedly due to treasury restrictions. As the contractor did not resume the work, the Council terminated the contract in May 2003. The total amount paid to the contractor was to the extent of Rs. 1.19 crore. The balance works were rearranged only in February</p>	<p>It is true that the pile foundation work entrusted (Feb. 2000) to a contractor was completed (Sept. 2000) at a cost of Rs.43.97 lakhs. The second phase of construction of 'diving pool, racing pool, dormitory, galleries' etc. was awarded (April 2000) to M/s Hindustan Steel work Construction Limited, a Central Public Sector Undertaking, for an agreed contract amount of Rs. 3.61 crore to be completed within nine months which was extended up to May 2002.</p> <p>It is not true to the fact that the contractor stopped the work in April 2001 on the ground of delayed payments of their part bill. The Sports Council in satisfaction to the contractual obligation and also on recommendation of the Consultant M/s Jayachandran Associates had issued several cheques to the contractor in time with the bonafide interest that the work should be completed within the stipulated period.</p>

2005 for an agreed contract amount of Rs. 2.97 crore with date of completion as six months and the work was resumed in March 2005.

The statement in the para that the Council failed to make timely payments of the claim reportedly due to treasury restrictions is not true. The ban on payments in treasuries could never be foreseen and hence the treasury ban was imposed by Government did not come under the purview of the Council.

The total amount paid to the contractor by the Council was Rs. 1.77 crores.

The balance works were rearranged only in February 2005 for an agreed contract amount of Rs. 2.97 crore with date of completion as six months and the work was resumed in March 2005.

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The following points were noticed in Audit:

- (i) The Council failed to convince Government of the need for relaxation of treasury restrictions to make payments on the project, the work on which was progressing well;
 - (i) The ban on payments in treasuries could never be foreseen.
-

(1)	(2)	(3)	(4)	(5)
			<p>(ii) Though the work was at a standstill since April 2001, the contract was terminated only in May 2003;</p> <p>(iii) After termination of the contract in May 2003, the work was rearranged only in February 2005, after a lapse of about two years;</p>	<p>(ii) It is true that though the work was at a standstill since April 2001, the contract was terminated only in May 2003.</p> <p>(iii) It is true that after termination of the contract in May 2003, the work was rearranged only in February 2005, after a lapse of about two years;</p>

The main reason for the delay in the rearrangement was the lapse on the part of the Consultant M/s Jayachandran and Associates in preparing a balance schedule with respect to the original estimate. This could be done only after finalizing the payments due to the original contractor. The work could be re-tendered and rearranged only after that settlement. The consultant was fully entrusted with such works and the Sports Council had no role in controlling and guiding the contractor for achieving the expected progress. The council had

convened a number of meetings to review the progress but had its own limitations in achieving progress. The Sports Council had entered into an agreement with consultant M/s Jayachandran Associates so that all assistance should be rendered by the latter except making payments. The Sports Council was left with no option other than to depend on the consultant for achieving the progress. The delay in rearrangement was not a fault on the part of the Council.

(iv) Consequent on rearrangement of the work the estimated extra financial liability worked out to Rs. 55.11 lakhs;

(iv) The consultant had already reported during the initial days of the arrangement of original contract that the rate quoted by them was too low and is not workable. But the contractor took the risk of taking up the work without looking into those aspects. If a workable rate were brought into picture, the extra financial liability would have been reduced considerably from 55.11 lakhs.

(1)	(2)	(3)	(4)	(5)
			(v) The risk and cost liability of the first contractor had not been assessed so far; and	(v) The statement is not fully true. The balance schedule preparation and re-tendering work itself is sufficient to find out the risk and cost liability. As the resumption of work was finalized only in February 2005, it is now only possible to address Hindustan Steelworks Construction Ltd. (A Government of India undertaking) on the liability. The consultant is being reminded to work out on the basis of the rate quoted by the successor.
			(vi) As the work was at a standstill from April 2001 the unfinished structures are exposed to the vagaries of weather without any protection (vide photograph) for the last four years thus causing damage to the structures.	(vi) No such damages are seen to the structure due to standstill.
			Thus the failure of the Kerala Sports Council to ensure timely payment of the claims led to the abandonment of work by	This is not true. The payments were made by the Council in time. The Sports Council had already reported the lapses

the contractor. Further, the delay in terminating the contract and rearranging the work resulted in non-completion of an ambitious project even after four years of its targeted date of completion entailing the expenditure of Rs. 1.80 crore incurred on it unfruitful and depriving the swimming athletes of the facility of an international swimming pool.

on the part of the contractor in carrying out the work which were against the agreement condition between the contractor and the Council. The Consultant had complained on violating the agreement conditions by the contractor.

Present Position

The balance work was arranged through M/s Charangat Engineering Construction Works Pvt. Limited in February 2005. The Consultant appointed for this project at that time was Kerala State Housing Board. There was inordinate delay in the execution under the consultancy and supervisory control of Kerala State Housing Board. The expenditure involved from 2005 February to August 2007 was only for an amount of Rs. 15 lakhs. At last the Kerala State Sports Council was forced to terminate the consultancy of Kerala State Housing Board for this work.

(1)	(2)	(3)	(4)	(5)
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The Civil Contractor, M/s.Charangat Engineering Construction Works Pvt. Limited resumed the work (after the termination of Kerala State Housing Board) during September 2007. Now more the 50% of the structure of western gallery is completed. The work is in good progress. Water supply and sanitary works were arranged through the present contractor. Steps for the revision of the electric works as per the current schedule of rates have been taken and the work is to be tendered and arranged immediately.

In this connection it is pointed out that the supply, installation and commissioning of the filtration system was arranged through M/s Raja Enterprises, Bangalore during 2005, but the contractor had not started the work till date. Hence the contract was

terminated at risk and cost and the work is to be rearranged. The process of rearrangement through the other agency is in progress.

The date of completion of all works to enable to function of the International Aquatic Complex is fixed on 31-8-2008.

ACTION TAKEN NOTES ON COMPTROLLER AND
AUDITOR GENERAL OF INDIA REPORT

- I. (a) Department : General Education Department
 (b) Subject/title of the review/
paragraph : Functioning of Text Book Office
 (c) Paragraph No. : 3.6
 (d) Report No. and year : Report of the Comptroller and
Auditor General of India for the
year ended 31-3-2006 Vol. I (Civil)
- II. (a) Date of receipts of the Draft : 28-7-2006
paragraph/review in the
department
 (b) Date of Department's reply : 28-9-2007
- III. Gist of paragraph/review :
- IV. (a) Does the Department agree : Reply attached in separate sheet
with the facts and figures
included in the paragraph ?
 (b) If not please indicate the areas :
of disagreement and also attach
copies of the relevant documents
in support
- V. (a) Does the Department agree : Reply attached in separate sheet.
with audit conclusions
 (b) If not, please indicate specific :
areas of disagreement with
reasons for disagreement and
also attach copies of relevant
documents, were necessary
- VI. *Remedial action taken* :
- (1) Improvement in system and : Reply attached in separate sheet.
procedures including internal
controls
 (2) Recovery of over payment :
pointed out by audit

- (3) Recovery of under assessment, :
short levy or other dues
- (4) Modifications in the schemes :
and programmes including
Financial pattern
- (5) Review of similar cases/ :
complete scheme/project in the
light of findings of sample
check by audit

**Statement on Remedial Measures Taken on the paragraphs contained
in the Report of the Comptroller and Auditor General of India
for the year ended 31-3-2006 (Civil), Volume 1.**

3.6.1 : *Introduction*

Measures taken to improve the functioning of the Office of Text Book Officer are given in the following paragraphs.

3.6.2 : *Non-Preparation of Pro forma Accounts*

As per G.O. (Rt.) No. 2106/05/Fin. dated 23-3-2005, the Institute of Public Auditors of India was engaged to clear the backlog of proforma accounts in respect of Text Book Office. The Institute of Public Auditors of India had prepared pro forma accounts in respect of Text Book Office for the year 2003-04 and same was forwarded to the Principal Accountant General (Audit) for taking up audit. But the Principal Accountant General (Audit) has not started audit for the reason that pro forma accounts for the years 1987 - 88 to 2002 - 03 has not been prepared. Action is underway to settle proforma accounts for the years 1987-88 to 2002-03. In letter No. 68118/M2/06/G.Edn., dated 30-5-2007 (enclosed as annexure) Government have requested to the Accountant General to grant permission to dispense with the pro forma accounts of Text Book Office for the period 1987-88 to 2002-03 as was done during the period 1975-76 - 1986-87 since it is difficult to prepare proforma accounts of Text Book Office for the above period due to problems with the records. The Text Book Officer has taken steps to depute two persons having minimum qualification of B. Com to obtain training in the preparation of pro forma accounts so that proper accounting and supervision shall be done in future.

3.6.3 : *Receipt and Expenditure*

Though the Text Book Officer had proposed to hike the price of textbooks, Government declined the same as Government was disinclined to put additional burden on the student community.

3.6.4: *Loss due to failure to deduct liquidated damages for delayed supplies*

Supply orders for printing materials are given by the Controller of Stationery after entering into a bi-party agreement with the supplier. As per the agreement the purchaser i.e. Government is bound to make payment within a time frame and the supplier is bound to complete supply within a specified time. Quite often Government fail to fulfill its commitment. That is the main reason for the delay in completion of delivery of printing materials. When Government fail to fulfill the condition in the agreement, it cannot insist the other party to fulfill

its commitment. It cannot invoke the penalty clause also. As per the conditions of supply in Stores Purchase Manual para 76(d) (iii), heads of departments can accept late supplies after recording the reason therefore up to six months after the prescribed date or delivery provided no loss on account of such extension of time is incurred by Government. For further extension in the case of purchase costing Rs. 5 lakhs the orders of the Secretary to Government of the concerned department are taken and in case purchase costing above 5 lakhs sanction from the concerned Departmental Purchase Committee are taken. If the supply of materials was within the date of the delivery period extended by the Controller of Stationery/Government there is no provision to recover the amount from the supplier as liquidated damage for delayed supply of materials. In the minutes of the Monitoring Committee Meeting held on 15-10-2001 in the Chamber of the Secretary, General Education Department it has been mentioned that an amount of Rs. 5 crores was pending towards arrears for the supplies made was the main reason for delay in getting paper for printing textbooks. It was also mentioned in the meeting held on 30-1-2002 in the chamber of the Secretary that payment for Rs. 89 lakhs was pending with Government. On 14-5-2002 it was reported in the meeting held by the Hon'ble Minister for Education that payment for Rs. 1.18 crores was pending for the supplies made.

In view of the above the audit objection may kindly be dropped.

3.6.5 : Non-recovery of excess expenditure on rendering of unexecuted portion of Supply order

Hardly 4 months time was available for procuring printing materials and printing textbooks for the year 2001-02. 3500 MT paper in 60 gsm 86 cm reel was required. As observed by audit, purchase through DGS & D Rate contract was economical. But as per the Rate contract conditions the firm was bound to supply 500 MT per month starting from February. Further, as per the terms of Rate contract 95 % of the price of the stores of each consignment shall be paid on proof of despatch to the consignee or delivery to the interim consignee, if any, and on production of valid inspection note issued, by the Inspector and balance 5% shall be paid on receipt of stores or each consignment thereof in accordance with the terms of the contract in good condition to the consignee, in other respects, in provision of payment clause under the contract in DGS&D form No. 68(R). Because of the poor condition of the State the department was not able to make the payment in advance; payment could not be made even after two months from the date of supply. So the Department was not in a position to send a report to DGS&D to black list the supplier for the non-fulfillment of supply order. The DGS&D can take action against the supplier only if the department fulfills the supply order conditions. In this case the department

could not fulfill the payment conditions. The DPC, which met on 14-1-2002, examined the case in detail and found that no punitive action was possible against the Mill and decided to cancel the unexecuted portion of the supply order. In the circumstances no steps were taken to inform the non-fulfillment of supply order by the supplier to DGS&D and black list the supplier. As payment could not be made as per the supply order conditions, it was not possible to cancel the supply order at the risk and cost of the supplier, which may lead to avoidable litigation.

Two supply orders were placed to the same firm at the different rates due to the dire necessity of printing paper in order to complete printing of textbooks at the shortest time because enough time was not available. As paper was badly in need for printing, whatever supply made by the Mill was accepted without insisting the supply at lower rate. No excess payment was made since the payment was made only as per the supply order conditions. Difference between the rate of a supply order and the rate of another supply order cannot be considered as excess payment. Since it was decided to place supply order at two, different rates, owing to urgency, it cannot be said that supply against one order is economical and the other is uneconomical.

Order for the supply 1900 MT white printing reel paper placed with M/s. Shreyans Industries, New Delhi was for printing Text Books for the year 2002-03. The purchase of white printing paper 1900 MT from M/s. Shreyans Industries, New Delhi was not an alternate purchase, due to non-supply of certain quantities of paper from M/s. Delta Paper Mills Ltd. Therefore it is not rational to compare the rate of order to M/s. Shreyans Industries Ltd. with that of M/s. Delta Paper Mills. The above two orders were issued to meet the requirement of paper for two different years. In the 'case of the purchase of 1900 MT white printing reel paper from M/s. Shreyans Industries Ltd, it was decided to place orders with that firm at Rs. 28,950 per MT, through DGS&D Rate contract, because the conditions of the bidders took part in open tender were not acceptable.

In the above circumstances there is no provision to recover any loss from M/s. Delta Paper Mills on account of orders issued to M/s. Shreyans Industries Ltd.

3.6.6 : *Loss on emergency purchase of paper*

Schedule of action for printing textbooks was issued on 18-9-2004, as per G.O. (Rt.) 1254/04/H.Edn. Therefore administrative sanction for the year 2005-06 could not be issued on 30-1-2004, as per the schedule of action, as observed in audit. Steps to purchase paper for the year 2005-06 were pursued early in 2004;

but administrative sanction could be issued on 1-6-2004 only, due to administrative reasons. Paper could be procured and distributed only in September 2004 after observing all the purchase formalities. So some interim arrangements had to be made to supply paper to KBPS for carrying out the printing till the paper arrives as per the new purchase order. The Chief Secretary suggested procuring paper for printing textbooks till September 2004 either as per the DGS & D Rate Contract or through National Co-operative Consumer Federation Government of India so that delay in commencing printing could be avoided. After detailed examination it was decided to procure the required quantity of paper for printing textbooks till September 2004 as per DGS & D Rate contract. Accordingly sanction was accorded for the purchase of 1500 MT 60 gsm 60 cm. width reel white printing paper from M/s. Delta Paper Mills, Andhrapradesh through DGS & D rate contract to meet the urgent requirement of paper for KBPS: 4000 MT of 60 cm. width white printing paper required for the year 2005-06 was purchased by following tender formalities. Government took the above step with a view to distribute textbooks among the students at the very beginning of academic year and Government accomplished it.

3. 6. 9: *Loss due to printing of textbooks in excess*

Process for printing textbooks for a given year starts one year in advance i.e. process for the year 2002-03 will start in early 2001. As pointed out by Audit, order indicating change in curriculum was issued in September 2002. By that time not only printing but also even distribution of textbooks for the year 2002-03 was complete and the process for the year 2003-04 had already begun. In other words, print order for the year 2003-04 had already been given by the time order indicating change in curriculum came out. So the process was irreversible. The observation of Audit is unrealistic.

3.6.10 : *Loss due to cancellation of change in syllabus for Standard VIII*

Curriculum change from Upper Primary Level was extended to Secondary Level from the year 2001-02 onwards. Sanction was given to revise the textbooks between July 2000 and March 2001 through various workshops. As such the Textbooks were Revised and 20 titles of Std. VIII was revised and given for printing. Since the textbooks are to be made available in the month of May/June 2001, the materials were given for printing in the month of March/April 2001. By the time there was change in Government and the new Government decided to continue the old syllabus. This was owing to the change in policy of the new Government.

3.6.11: *Loss on sale of obsolete textbooks due to short assessment in weight*

Weight of obsolete textbooks arrived at as 1480.80 M.T. by the Text Book Officer after consolidating the statements submitted by concerned District Educational Officers (in the capacity as controlling officers of depots) after having them convinced the weight of obsolete textbook and its physical verification. There is scope for shortage in the number and weight of obsolete textbooks than estimated by the Audit because almost all depots in the State are functioning in very old buildings which are in dilapidated condition. These depots are facing acute shortage of storage space. Therefore, the available 'good' storage areas are being utilised for stocking current textbooks. In such a situation the storing of obsolete textbooks will be badly affected and there exists possibilities for destruction of obsolete textbooks due to rain, moisture insects and pests. In such conditions taking standard weight for each textbooks is not logical and accurate as the freshness or text books are likely to diminish due to prolonged storage in poor conditions. As the bidder who quoted Rs. 12.89 per k.g. backed off, the contract was awarded to the bidder who quoted Rs.9.43 per k.g. An amount of 1,16,75,876 was collected by disposing of 11,65,625 k.g. of obsolete textbooks. Therefore the loss of 1.13 crore, pointed out by the Audit, is not sustained to Government.

3.6.13: *Loss due to non-implementation of work experience programme*

Work experience programme was introduced to inculcate job orientation among the students. But the programme was not a success as Expected because it was not commercially viable. As the programme failed, the amount spent on the scheme failed to achieve the desired results.

3.6.14 : *Lack of control over sale of textbooks*

From 2007-08 details such as stock balance as on 31-3-2007, stock received, sold month-wise will be collected and recorded. The lapse on the part of the Text Book Officer till 2006-07 may be excused.

3.6.15 : *Internal audit*

Internal audit of District Text Book Depots are at present conducted by one Section consisting of one Junior Superintendent and four Clerks. As per the present system, this section has conduct the out audit (internal), prepare and finalise report, make reviews on the report and to all other connected works. This puts heavy burden on them and finds it difficult to speed up the matter. However all possible steps are being taken to clear the arrears.

3.6.16 : *Conclusion*

It is conceded that there are lots of shortcomings in the functioning of the Text Book Office. Certain observations of Audit are helpful to set right the shortcomings and to tone up functioning of the Text Book Office. But it should also be pointed out that Audit is blowing up the situation out of proportion, quite often. As they are eager to vindicate themselves, they tend to lose sight of the ground realities, at times. On certain other occasions they bent on making unrealistic observations and pointing out hypothetical loss to the exchequer.

3.6.17 : *Recommendations*

- (i) Pro forma accounts for the year 2003-04 is prepared and action is underway to settle preparation of pro forma accounts for the years 1987-88 to 2002-03. In letter No. 68118/M2/06/GEdn., dated 30-5-2007 Government have requested to the Accountant General to grant permission to dispense with the pro forma accounts of Text Book Office for the period 1987-88 to 2002-03 as was done during the period 1975-76 to 1986-87 since it is difficult to prepare pro forma accounts of Text Book Office for the above period due to problems with the records.
- (ii) Earnest steps are being taken to procure printing materials as per the schedule of action and also to adhere to the terms and conditions of supply order. But one limitation to enforce the latter part is Government's inability to make payment as per the terms and conditions.
- (iii) A Reconciliation Committee is functioning to prepare the paper accounts.
- (iv) Possible steps are being taken to clear the arrears.

ANNEXURE

GOVERNMENT OF KERALA

General Education (M) Department

No. 68118/M2/06/G.Edn. *Dated, Thiruvananthapuram 30th May 2007.*

From

The Secretary to Government.

To

The Principal Accountant General (Audit),
Kerala, Thiruvananthapuram.

Sir,

Sub :—General Education—Finalisation of pro forma accounts of
TBO for 2003-04—Dispensation of accounts for the
intervening period (1987-88 to 2002-03)—Reg.

Ref :—1. Your letter No. CA-IV/C/8-1101/77 dated 15-11-2006.
2. Government letter of even number dated 21-5-2007.

I am directed to invite your attention to the reference cited and request you to grant permission to dispense with the pro forma accounts of Text Book Office for the period 1987-88 to 2002-03 as was done during the period 1975-76 to 1986-87 since it is difficult to prepare pro forma accounts for the above period due to problems with the records. Text Book Officer is taking all possible steps to depute officers with B.Com. qualification to acquaint with preparation of pro forma accounts. Government assure that the pro forma accounts will be made up-to-date once the request is accepted.

Yours faithfully,

G. GEETHA,
Additional Secretary,
For Secretary to Government.